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THE DEFENSE TRAVEL SYSTEM: BOON OR BOONDOGGLE? (PART 2)

HEARING

BEFORE THE

PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

OF THE

COMMITTEE ON
HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

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THE DEFENSE TRAVEL SYSTEM: BOON OR BOONDOGGLE? (PART 2)

THURSDAY, NOVEMBER 16, 2006

U.S. SENATE,
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS,
COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10 a.m., in room 342, Dirksen Senate Office Building, Hon. Norm Coleman, Chairman of the Subcommittee, presiding.

Present: Senators Coburn, Levin, and Carper.

Staff Present: Raymond V. Shepherd, III, Staff Director and Chief Counsel; Mary D. Robertson, Chief Clerk; Mark L. Greenblatt and Steven A. Groves, Senior Counsels; C. Jay Jennings, Senior Investigator; Cindy Barnes, Detailee, GAO; Joanna Ip Durie, Detailee, ICE; Emily Germain, Intern; Amy Hall (Collins); Martin Updike (Coburn); Peter Levine (Levin); John Kilvington (Carper); and Joel Rubin (Lautenberg).

OPENING STATEMENT OF SENATOR COLEMAN

Senator COLEMAN. This hearing of the Permanent Subcommittee on Investigations is called to order. Good morning and thank you for attending today's hearing.

This hearing is part of the Subcommittee's 2-year investigation into various problems associated with the Defense Trouble System, commonly called DTS. DTS is the Defense Department's program designed to arrange and process travel for all DOD employees.

Over the past 8 years, the Defense Department has spent roughly half a billion dollars of taxpayers' money to develop the system. For that huge investment, DTS was supposed to generate cost savings of more than \$65 million every year and integrate the Department's travel planning system.

The Subcommittee's investigation has revealed that despite these lofty goals and the massive investment of taxpayer money, DTS does not perform its central purpose, booking travel in an effective manner. I want the Department of Defense to have the best travel system in the world, because travel is absolutely essential for the effective performance of DOD's mission. For half a billion dollars, DOD ought to have precisely that.

As a result, I expect to propose a major revision to the Defense Department's travel procedures to make them more effective and less wasteful and start down the path of getting DOD a travel system that actually works.

But first let us explore some of the problems with DTS that this Subcommittee has uncovered. More than a year ago I directed the Subcommittee to investigate whether DTS is a boon to the Defense Department or a boondoggle at the expense of the American taxpayer. On August 11 of last year I wrote Secretary Rumsfeld to request that he suspend further implementation of DTS until certain serious problems were addressed.¹

Those issues were the focus of a Subcommittee hearing in September 2005. In that hearing, this Subcommittee established several important problems associated with DTS. The development of DTS was 4 years behind schedule. DTS was deployed in barely half of the 11,000 DOD travel sites. DTS had grown in cost from \$273 million to almost \$500 million. Despite that massive investment, DTS did not list all available flights and did not always identify the lowest possible airfares. To make matters worse, DTS did not identify all available lodging facilities that offer government rates.

All of these problems boil down to two fundamental questions. One of those questions is whether DTS, which purportedly saves \$56 million each year, actually saves the taxpayers any money. The next essential question is whether DTS is the best, most cost-effective travel system for the Department of Defense.

In order to get answers to these vital questions, I asked the GAO to determine whether DTS's purported cost savings were justified. I also asked the Inspector General of the Defense Department to determine whether the cost and benefits of DTS established that DTS was the best travel system for the Department of Defense.

Today we hear from GAO and the Defense Department Inspector General and we are getting answers to those questions. In short, the evidence is in and it confirms the disappointing truth: DTS does not work as advertised.

Here is a thumbnail sketch of the results of the investigations by the GAO, the Inspector General and this Subcommittee: GAO concluded that the projected cost savings for DTS are questionable and cannot be justified. For instance, GAO found that \$31 million of the estimated \$56.4 million in estimated savings were based on a single article in a trade industry magazine. According to the Inspector General, the Defense Department does not know and cannot determine whether DTS is the best travel system to serve its mission needs. This Subcommittee has discovered that travel agents who work with DTS on a daily basis uniformly agree that the system is inefficient, incomplete and costly.

One additional fact reveals just how unpopular DTS is with DOD personnel. The Subcommittee has discovered that more than 83 percent of DOD personnel who are supposed to use DTS are actually using travel agents to arrange their travel. As reflected in Exhibit 7,² which is off to my left, the Subcommittee found that of the roughly 755,000 trips undertaken at 42 DOD locations from January through September of this year, only 17 percent were arranged using DTS.

Let us turn to Exhibit 8,³ which lists some examples where DOD personnel are primarily relying on travel agents. For instance,

¹ See Exhibit 1 which appears in the Appendix on page 65.

² See Exhibit 7 which appears in the Appendix on page 178.

³ See Exhibit 8 which appears in the Appendix on page 179.

DOD personnel at Fort Leavenworth booked more than 22,000 trips from January through September of this year and 99.9 percent used travel agents. Only one-tenth of 1 percent at that location used DTS to plan their travel.

DOD personnel at another facility used DTS for a mere eight-tenths of 1 percent of their trips. Likewise, DOD personnel at Fort Shafter booked 26,425 trips and 98.3 percent of those trips were arranged using travel agents rather than DTS. My math, I think it is calculated up there for me, that means 1.7 percent were arranged using this \$500 million system.

Even the Pentagon, whose employees took more than 50,000 trips so far this year, have used DTS less than 20 percent of the time.

These facts are disappointing. I am appalled that the Defense Department has spent over half a billion dollars to develop a system that does not work as required, that does not save money as we were led to believe, that is not being used uniformly by DOD personnel, and that DOD has not even kept records to determine whether it is the best system for its needs.

All this has led me to one simple conclusion: The travel component to DTS is a failure and a waste of taxpayers' money. Moreover, I have concluded that further efforts to resolve DTS will only lead to a further waste of taxpayer dollars. The answer is not to continue throwing money at the problem.

DOD now has the opportunity to pull the plug on DTS and I recommend they take it. Because of DTS's widespread concerns, Congress recently barred DOD from funding further implementation of DTS. Instead, Congress has required DOD to conduct an independent study of DTS to determine, among other things, whether DTS travel and accounting functions can be separated. I believe the study provides the Secretary of Defense with the opportunity to graciously opt out of DTS's travel functions, and I strongly suggest he take advantage of that opportunity. Such a step will permit DOD to take advantage of the aspects of DTS that work, and they do work, and that is the accounting components, and scrap the elements that do not work. And that is namely the travel functions.

It is important to understand the fallacy of the cost savings that DOD proposed to generate by reducing travel agent services. DTS's projected cost savings are, in fact, based on a false premise: That you can generate savings by transferring the responsibility to select flights, hotels, and rental cars from professional travel agents to DOD travelers and pay the travel agents a lower fee. This would be the same as directing all DOD personnel to speak Arabic in order to save money on translation services. DOD is claiming the savings from reduced travel agent fees without considering the cost of having the troops do the work.

According to numerous travel agents interviewed by the Subcommittee, they can do the work faster and at less cost. In fact, one travel agent said, "DTS is not cost effective because a travel agent can make all reservations in about 5 minutes where it takes DOD personnel 30 minutes or more to perform the same function." The time DOD personnel spend making travel reservations could be far better spent on their mission-related responsibilities.

The commercial travel systems that travel agents use to book reservations are far superior to DTS because they have complete flight, hotel, and rental car information. DTS does not. Travel agents can book rail reservations. DTS cannot. Travel agents can make reservations in commercial travel systems that actually book the flight and make the hotel reservations. DTS cannot.

One travel agent summed up this problem as follows: "The system does not work. It is not a live system that actually books flights or reserve hotel rooms or rental cars. That work is performed by a travel agent." It is time to stop wasting the taxpayers' money and find a solution that actually works.

To that end, I am preparing legislation and working with my colleague, Senator Coburn, who has really been a champion in rooting out inefficiency, incompetence, corruption, and fraud in government and had really highlighted this issue long before many others.

I hope to introduce that legislation in the near future in order to end the part of DTS that does not work, the travel planning component, and keep the part that does work, the accounting component. At the very least, that will begin the process of getting DOD the best travel service to meet its needs.

As I said before, I look forward to working with my colleague, Senator Coburn, and Ranking Member, Senator Levin, on this proposal as they have very serious interest in this issue.

Today we will hear testimony from representatives of the General Accountability Office and the DOD Inspector General, who will testify about their most recent findings as well as the reports they wrote that questioned the costs and benefits that DTS offers DOD.

Finally, we will hear from Undersecretary David Chu, who is the official responsible for DTS.

With that, I recognize my colleague from Oklahoma.

OPENING STATEMENT OF SENATOR COBURN

Senator COBURN. Let me thank you, Mr. Chairman, a great deal for having this hearing.

DTS is a symptom. This whole contract is a symptom of what is wrong in our government today. It is not that the parties do not intend and mean well. There is no sleight of hand. But what there is is a lack of standards of both behavior and expectation that is totally different than in private industry.

The problems I see is we have a never ending contract. In the private sector, if we buy software, we buy software and get a quote, we get a bid, and the vendor is expected to come in and pay for it and do it.

We have seen totally the opposite of that with this contracting process. This is not the supplier's fault, but there are tremendous problems in procurement in the Pentagon and in other areas across the government. And this is a symptom of it.

I want to reflect no malice on anyone in this process other than to say, with the significant problems that are in front of us as a Nation, we cannot continue to do business this way.

My hope is that this can become the poster child of how not to do something. There are certain components of this that work very well, especially the financial. The one thing that nobody considered in this whole program is because the Pentagon's computers and the

military and the whole Defense Department do not talk to one another, that made this a very difficult problem. There is no question about it.

But what nobody has answered is in the 6 or 8 years from now, when they will talk to one another, we do not need this. We are not going to need it because we have a program now that takes care of all of those other problems from an accounting standpoint but does not do what the private sector and other areas can do in terms of travel.

So I am very thankful that we are here. I think we ought to use this as an object lesson, how to change contracting, how to increase accountability and tremendously increase transparency in our government.

I look forward to working with both the Chairman and the new Chairman and the future Congresses to change how we contract.

As a physician, we look at symptoms of disease. This is a symptom of a disease in contracting in the Federal Government that has got to change. We cannot afford to do business this way and I am very thankful that we are having this hearing. Thank you.

Senator COLEMAN. Thank you, Senator Coburn. I will now turn to my Ranking Member, Senator Levin.

OPENING STATEMENT OF SENATOR LEVIN

Senator LEVIN. Thank you very much, Mr. Chairman.

Thank you for convening this important hearing and for the oversight that you have provided in the very critical area of Department of Defense operations.

Every year the Department of Defense spends roughly \$20 billion to develop new information systems and to operate and maintain existing information systems. Like so many other Department of Defense programs, the Department's information technology programs are troubled by cost overruns, schedule delays, and performance deficiencies.

The Defense Travel System, DTS, is no exception. When DTS was first conceived in the mid-1990s, the Department of Defense travel system was a complete mess. Individual components of the Department entered their own arrangements with different travel companies, each of which had its own process systems and procedures. The travel process was paper intensive with written travel orders required before the trip and written requests for reimbursement filed at the end of the trip.

The travel reservation and booking process was separate from the voucher and payment process, which was itself separate from the financial accounting process. Management controls were lacking. Financial records were inaccurate and incomplete.

DTS was supposed to address all of these problems by establishing a single end-to-end travel system based on commercial technology. Unfortunately, as in so many other cases, Department of Defense tried to do the job on the cheap without conducting adequate planning as required by the Clinger-Cohen Act and other applicable statutory requirements.

As a result, more than 7 years after the initial DTS contract was awarded, the system still has not been consistently implemented throughout the Department. And as a result, the Department cur-

rently bears the burden for paying for both DTS and on the legacy systems that it is designed to replace.

This is all too typical of the Department of Defense business system development programs. DTS appears to be deficient in meeting user requirements by providing the appropriate lowest-cost fares for government travelers.

The Department of Defense says that these problems can be fixed, but we do not know how much those fixes will cost or how effective they will be or when they will be accomplished.

For this reason, Section 943 of the John Warner National Defense Authorization Act for fiscal year 2007 requires the Secretary of Defense to conduct an independent study to determine the most cost-effective method of meeting the Department's future travel requirements. The Department is prohibited from entering a new contract or expending funds for DTS until after this report has been completed and submitted to Congress.

The reason this language is there is because of the initiative of Senator Coburn, who offered an amendment, which was even somewhat stronger if I may say on the floor. We worked out language in conference which I believe and hope was satisfactory to Senator Coburn because it does now drive what we are trying to accomplish here. I again commend him for his tenacity in this regard.

I do not know whether the Department of Defense should pursue DTS to completion at this point, or whether we would be better off scrapping DTS and starting over from the beginning. I do not know whether DTS would be more cost effective if its use is mandated across the Department. I do not know whether the successful elements of DTS, such as the voucherizing and financial systems, can be separated from the more problematic travel reservation system.

It is my hope, however, that the independent review mandated by Section 943 will provide the answers to these questions.

Again, Mr. Chairman, I thank you for your initiative in this area, as so many other areas, and I look forward to the testimony of our witnesses.

Senator COLEMAN. Thank you, Senator Levin. Senator Carper.

OPENING STATEMENT OF SENATOR CARPER

Senator CARPER. Just very briefly.

I want to preface my remarks by simply saying to the Chairman, Senator Coleman, to Senator Levin, to Senator Coburn, a real special thank you for participating as faculty members in the orientation this week of our new senators and their spouses, and to not only give them a good welcome but also to try to help them learn from our mistakes that we have made in our first years here, including our current experience here.

I shared with the new senators at our orientation breakfast this morning that one of the core values in my own office to focus on excellence in everything that we do because everything that we can do we can do better. I also like to say to my staff, if it is not perfect, make it better.

That is an understatement when it comes to this Defense Travel System. What started off as a very good idea in 1994, one that was going to cost about \$250 million, is now sort of morphed into a system that has been deployed in about half the sites it was supposed

to have been deployed to. The cost may now be roughly twice what it was supposed to be. And not too many people I have talked to are pleased with the product and the service that it provides.

God knows, we can do better than this. We have a role in the Legislative Branch, not a role we have always met well in recent years, to provide good oversight not just to be critical for the sake of being critical but to hold people's feet to the fire to make sure that we actually do provide a better product, better service for the taxpayers and for those that are, in this case, going to be able to travel someplace and save money, get where they need to go and do so at a reasonable cost to our taxpayers.

Senator Coburn and I have looked at this issue in the Subcommittee, that we have been privileged to lead in the last few years. I am delighted that you are holding this oversight hearing today to look for some further progress and to answer some of the questions that Senator Levin just mentioned, that we do not know, we do not know, we do not know. We need to know. And frankly the President needs to know, and whoever is going to lead the Department of Defense needs to know, as well, so we can make some tough decisions.

Thank you, Mr. Chairman.

Senator COLEMAN. Thank you, Senator Carper.

I would now like to welcome our first panel of witnesses for today's hearing. Thomas Gimble, the Acting Inspector General at the Department of Defense; McCoy Williams, Director of Government Accountability Office's Financial Management and Assurance Team.

Both of you gentlemen were witnesses at our September 2005 hearing on this matter. I welcome you back and look forward to your testimony here on your latest perspective on the Defense Travel System.

As you know, DTS was largely justified on the cost savings it would realize. And that is why I asked the Comptroller General to determine if the cost savings were substantiated.

Further, as we pointed out in the Office of Program Analysis and Evaluation study, a cost-benefit analysis is required to determine if DTS meets DOD's travel needs. That is why I asked the Department of Defense IG to perform such an analysis and I look forward to hearing the results of your reviews, in part, Senator Levin, to get answers to the questions that you raise. I think one of the frustrations, at least, is my review of the primary testimony is that we are not in a position to answer those questions, even after spending \$500 million, which is obviously very frustrating.

Pursuant to Rule 6, all witnesses who testify before this Subcommittee are required to be sworn. I would ask you please to both stand and raise your right hand.

Do you swear the testimony you are about to give before the Subcommittee is the truth, the whole truth, and nothing but the truth, so help you, God?

Mr. GIMBLE. I do.

Mr. WILLIAMS. I do.

Senator COLEMAN. Gentleman, I think you are familiar with the timing system. When the light turns to amber, you have about a

minute to sum up. Your entire testimony will be printed into the record in its entirety.

We will start with Mr. Gimble first and he will be followed by Mr. Williams.

Mr. Gimble, you may proceed.

**TESTIMONY OF THOMAS F. GIMBLE,¹ ACTING INSPECTOR
GENERAL, U.S. DEPARTMENT OF DEFENSE**

Mr. GIMBLE. Mr. Chairman, Members of the Permanent Subcommittee on Investigation, thank you for the opportunity to appear before the Subcommittee today to discuss our most recent audit report "Management and Use of the Defense Travel System," (DTS).

As you know, the Subcommittee asked my office to conduct an independent cost-benefit evaluation of DTS. The Department, however, was unable to provide supporting documentation to substantiate all DTS and legacy system cost data. Therefore, it is not possible for us to determine whether DTS is the most cost-effective way to meet the Department's travel management needs or even to fully quantify the cost savings that might be realized by using DTS.

The Department envisioned DTS as a 21st Century model of efficiency and service, featuring the best practices in industry. The Program Management Office planned for DTS to support all forms of business travel. In addition, the Program Management Office designed DTS to interface with DOD accounting and disbursing systems. The expected DTS program costs were estimated at over \$2 billion for the 20-year life cycle of the program.

Problems with documentation supporting DOD travel costs existed before DTS and continue to exist. The Task Force to Reengineer Travel concluded in its January 1995 report that it could not easily identify all costs involved in the temporary duty travel process and that costs of administering travel were also unquantifiable.

In response to our July 2002 audit report, the Director, Program Analysis and Evaluation, conducted a cost-effectiveness study and issued a report on December 17, 2002, concluding that the Department did not capture travel costs necessary to validate program savings or determine whether DTS was the most cost-effective system to support DOD travel.

More recently, the Principal Deputy Director, Program Analysis and Evaluation, wrote in a memorandum that the Department needed more reliable data after reviewing the 2003 DTS economic analysis.

These undertakings, in addition to our inability to validate current DTS and other travel-related cost data, represent a fundamental flaw in the Department's reporting process. However, the flaw is not specific to DTS. It is a department-wide failure to collect and retain travel-related cost data that are auditable.

Our report recommends that the Under Secretary of Defense (Comptroller) and the Under Secretary of Defense for Personnel and Readiness coordinate with the Department comptrollers to develop a formal reporting process, maintain detailed records of all

¹The prepared statement of Mr. Gimble appears in the Appendix on page 29.

DTS and legacy system travel costs, and establish a viable process for measuring whether using DTS has enabled DOD to achieve projected benefits cited during the Milestone C decision.

The report also recommends that if DTS is to continue being used after the study required by Section 943 of Public Law 109-364 is completed, the Under Secretary of Defense for Personnel and Readiness must develop, in coordination with the Director of the Business Transformation Agency, the Services, and Defense Agencies, a travel management strategy that includes a plan for effectively implementing DTS at all remaining sites and a single methodology for consistently monitoring compliance with the Department policy.

The report also recommends that the Under Secretary of Defense for Personnel and Readiness establish a plan addressing short-term and long-term goals to achieve 100 percent use of DTS for routine temporary travel.

Further recommendations include: That the Director, Defense Finance and Accounting Service implement a process to ensure voucher payments recorded in the disbursing systems can be reconciled to the voucher payment data in the e-Biz accounting system; and that upon completion of the DTS study, if it is decided that DTS should continue, the Program Director, DTS Program Management Office institute an effective and timely process for addressing system change requests to improve the Department's ability to use the system.

This concludes my oral statement. I would be happy to answer any questions that the Subcommittee may have.

Senator COLEMAN. Thank you, Mr. Gimble. Mr. Williams.

TESTIMONY OF MCCOY WILLIAMS,¹ DIRECTOR, FINANCIAL MANAGEMENT AND ASSURANCE TEAM, U.S. GOVERNMENT ACCOUNTABILITY OFFICE (GAO)

Mr. WILLIAMS. Thank you, Mr. Chairman. Mr. Chairman and Members of the Subcommittee, I am pleased to be here today to discuss our recent report related to problems encountered by the Department of Defense in successfully implementing the Defense Travel System.

My testimony is based on our September 2006 report which followed up on our September 2005 testimony and January 2006 report.

Today I will highlight our key findings related to the September 2003 economic analysis, data needed to monitor DTS utilization, and systems requirements and testing.

I will also discuss our recommendations to improve Department's management and oversight of DTS.

First, Mr. Chairman, our analysis of the September 2003 DTS economic analysis found that the two key assumptions used to estimate cost savings were not based on reliable information. Two primary areas, personnel savings and reduced CTO fees, represented the majority of the over \$56 million of estimated annual net savings DTS was expected to realize.

¹The prepared statement of Mr. Williams appears in the Appendix on page 36.

With regard to personnel savings, Air Force and Navy DTS program officials stated that they did not anticipate a reduction in the number of personnel with the full implementation of DTS, but rather the shifting of staff to other functions. According to DOD officials responsible for reviewing the economic analysis, while shifting personnel to other functions is considered a benefit, it should not be considered a real dollar savings since the shift in the personnel does not result in a reduction of DOD expenditures.

DOD strongly objected to our finding that the personnel savings are unrealistic, however, because none of the military services could validate an actual reduction in the number of personnel as a result of DTS implementation and DOD's comments did not include any additional support or documentation for its position, we continue to believe that the estimated annual personnel savings of \$54.1 million is unrealistic.

Mr. Chairman, in regards to the estimated annual savings of \$31 million attributed to the lower CTO fees, DOD assumed that 70 percent of all airline tickets would be considered no touch, meaning that there would be no or minimal intervention by the CTO, thereby resulting in lower CTO fees. However, DTS program officials could not provide any data to support the assumption. We found that the 70 percent assumption was based solely on an American Express newsletter article that referred to the experience of one private sector company completely unrelated to DTS.

Second, Mr. Chairman, our analysis found that the Department did not have quantitative metrics to measure the extent to which DTS is actually being used. The reported DTS utilization rates were based on estimated data and DTS program officials acknowledged that the model had not been completely updated with actual data as DTS continued to be implemented at the planned 11,000 sites. As a result, DTS officials continue to rely on outdated information in calculating DTS utilization rates.

Third, Mr. Chairman, DOD still has not addressed problems associated with weak requirements management and system testing. Mr. Chairman, requirements represent the blueprint that system developers and program managers used to design, develop, test, and implement a system. We identified 246 unique GSA city pair flights that should have been identified in one or more DTS flight displays according to DOD requirements. However, 87 of these flights did not appear on one or more of the required listings.

Mr. Chairman, while DOD has taken actions to address our concerns, these actions do not fully address the fundamental problems we have found during this audit and on which we have previously reported. For example, the DTS requirements we reviewed were still ambiguous and conflicting.

Finally, Mr. Chairman, our recent report included several recommendations to improve the Department's management and oversight of DTS. For example, we recommended that DOD improve its methodology for developing quantitative data on DTS usage and resolve inconsistencies and DTS requirements. Effective implementation of these recommendations, as well as those included in our January 2006 report, will go a long way towards improving DTS functionality and increasing utilization.

In closing, management oversight, as well as continued Congressional scrutiny, such as this hearing, will be important factors in achieving DTS's intended goals. Equally important, however, will be the Department's ability to resolve the long-standing difficulties that DTS has encountered with its requirements management and system testing. Until these issues are resolved, more complete utilization of DTS will be problematic.

Mr. Chairman, this concludes my statement. I would be pleased to respond to any questions.

Senator COLEMAN. Thank you, Mr. Williams.

Mr. Gimble, it would be fair to say both gentlemen indicated that one of the problems we have here is we do not have the data to justify the so-called cost savings? Is that a fair statement?

Mr. GIMBLE. That is a fair statement.

Senator COLEMAN. Mr. Williams, you indicate that—we all agree that we need a better system. There is no argument about that. The question that I am struggling with is after spending almost \$500 million, we still do not have data. The cost savings that have been laid out are clearly not justified by whatever data is there. And so the question becomes do we keep pouring money into this with the hope that once we get the data that we can somehow figure out whether it is worthwhile?

It is the money pit. At what point do we stop throwing money into this?

Just to go back as to where we have been, Mr. Williams, you found—and I am a little stunned by this. I think your testimony was that more than \$30 million in projected cost savings were based on an American Express magazine article. Is that what is in your testimony?

Mr. WILLIAMS. That is correct. Basically the magazine article referred to savings that could be achieved if a particular package was procured. There was no relationship to DTS and it basically stated, to be more specific, that savings could be realized up to 70 percent. But 70 percent was used in the assumption for calculating DTS's estimated annual savings.

Senator COLEMAN. Perhaps I am missing something here, but is this standard practice for establishing cost savings?

Mr. WILLIAMS. As we stated in the report, the information was not validated. There are requirements from OMB, as well as from DOD, that when you are putting together information on cost benefits that one of the things that you definitely need to have is good information. That information also needs to be validated and, in the case of this particular assumption, it was not validated. We also stated in the report that if those procedures or policies had been followed, that this would have come to light, that this was not a valid assumptions that DOD used to come up with this calculation.

Senator COLEMAN. One of the other instances of measuring cost savings that the report highlights is that the DOD would be achieving savings because personnel would be assigned to other duties. Can you comment on that process for estimating savings?

Mr. WILLIAMS. Basically, in the response to our report DOD disagreed when we pointed out that the personnel savings were unrealistic. The point comes down to when you move employees from

the travel operation to another operation, are you really achieving tangible savings as far as what you are trying to compare for that particular system.

We recognize that there are some savings when you are able to move people to another operation within the Department. But, when you get to the bottom line, as we stated in the report and in our testimony, DOD's overall costs have not been reduced. So while there were some tangible savings, there were no personnel tangible amounts that we believe should be used in calculating DTS's savings.

Senator COLEMAN. Mr. Gimble, going back with a little history, did you do a report in 2002 on DTS?

Mr. GIMBLE. Yes.

Senator COLEMAN. Was there a 2002 report?

Mr. GIMBLE. There is a 2002 report, yes, sir.

Senator COLEMAN. I believe in that, the report recommended that the Office of Program Analysis and Evaluation complete a study as to whether DTS should continue or be terminated.

Mr. GIMBLE. It was to determine the cost-effectiveness of the program.

Senator COLEMAN. Right. And I think it was the Office of Program Analysis and Evaluation, and that there was an understanding that a decision would be made to continue or terminate the program based on the study findings.

As I understand it, the P&A study was supposed to look at the costs and savings. I think we are still at the same point. My understanding is that the Program Analysis and Evaluation study found that it lacked the data needed to perform a cost-effectiveness study. Did they recommend some other alternatives travel solutions? What was the recommendation that came out of that?

Mr. GIMBLE. The report was issued on December 17, 2002 and it basically said that they did not have the data necessary to make a determination that DTS was the most cost-effective method for DOD to support its travel.

Senator COLEMAN. I thought there was a recommendation for analysis, an alternative travel solution, a pilot program to assess whether commercial travel systems can be used as partial end-to-end solutions. Was that recommendation part of that report?

Mr. GIMBLE. I think the recommendation was that because of upgrades and advances in technology, they should go look at other solutions. I do not believe that they did that.

Senator COLEMAN. I want to be clear that the recommendation was there. But my question is did DOD comply with recommendations?

Mr. GIMBLE. No.

Senator COLEMAN. So we are sitting here now almost 4 years after 2002 and we still do not have the data necessary to do an evaluation; is that correct?

Mr. GIMBLE. That is correct.

Senator COLEMAN. In August 2005, I sent a letter to your predecessor, Inspector General Schmitz,¹ to undertake a full complete and independent performance and cost evaluation of DTS to deter-

¹See Exhibit 3 which appears in the Appendix on page 71.

mine if it is the most cost-effective solution to DOD travel needs. On May 11, 2006, you advised me in a letter that DOD lacked the data needed to perform a cost benefit evaluation. We will agree on that.

Without the data, how can we answer the question about whether DTS is the most cost-effective way to meet the Department's traveling?

Mr. GIMBLE. I think the situation is going to be that DOD needs a travel system and whether there is a deficiency in the one we have, depends on whether you look at the financial side of it or the reservation side of it.

I think the study required by Section 943 will address the reservation side of this to see if there is a better way of doing it based on commercial technology. And then if you look at the accounting side, our view of that is that it works pretty well. It is not perfect, but it works pretty well. If we can separate those out, I think that would be the way forward, hopefully in the results that come out of the Section 943 study.

But I think personally the idea of going back and doing a cost benefit analysis, we have tried that three times and the data simply is not there to make a valid meaningful comparison at this point.

Senator COLEMAN. In fact, not just the data is not there, but you are also looking at a system that does not cover a lot of things. National Guard and Reserve travel, not covered by DTS. Is that fair to say?

Mr. GIMBLE. There is functionality that has not been released that would cover that. But as it stands right now, the National Guard and Reserve and prisoner travel, in addition to permanent change of station travel are not covered as routine business travel by DTS now.

So you are right, it is not a full range of routine business travel.

Senator COLEMAN. Senator Coburn.

Senator COBURN. Thank you.

Basically you cannot manage what you cannot measure. In your testimony, both of them, I think it is fair to say that they cannot measure it. Can they measure what they have done and whether or not it is efficient, whether or not it saves money?

Mr. GIMBLE. No. The answer to that is no.

Senator COBURN. Mr. Williams, can they measure it?

Mr. WILLIAMS. No. To expand on that particular statement, as you know, Senator, over the years there has been numerous financial management legislation passed to improve financial accountability.

The bottom line in most of that legislation is that what we are trying to get to, you hear people talking about clean opinions and improving systems. But the bottom line is the overall goal is to have good cost information so that decisionmakers can make informed and timely decisions.

DOD financial management is still on our high-risk list. So until you get that, then you are not going to have the information or the data that you need to make a good system as to how much it costs to go this way or to go that way, or what have you.

Senator COBURN. Who owns DTS system? Who owns the technology?

Mr. WILLIAMS. Based on the previous hearing, it was divided into various components, and to my knowledge, it has not changed.

The Director of DFAS at the time basically stated that there are several applications that DOD developed and DOD owned those. There were numerous interfaces and DOD also owned the interfaces that had been developed.

In addition, as far as the source code, etc., that was developed by Northrop Grumman, DOD had the right to use that data as well as the right if down the road another contractor took over DTS, to provide that information to the new contractor. So I guess if you summed it all up, it would be DOD.

Senator COBURN. So DOD owns the technology and the software associated with Defense Travel System?

Mr. WILLIAMS. That is my understanding.

Senator COBURN. So I can have a good understanding of where we are today, we are still going to be paying \$40 million to \$50 million a year for this; correct? Other than the abeyance that was in the Defense Authorization Bill; is that correct?

Mr. WILLIAMS. There will be cost each year to maintain the operations, such as the PMO Office, as well as paying the CTOs, etc. There will also be ongoing costs if DTS continues to be DOD's travel system.

Senator COBURN. I think everybody looking at this, that the financial accounting function of this is pretty good, considering the mess at the Department of Defense on accounting.

Mr. WILLIAMS. I think everything that I have seen as far as the processing of the accounting transactions for the travel, that if you go through a process in which you do have the no touch and there is an automated payment, that you are talking about a transaction cost somewhere in the neighborhood of \$2, \$2.22, versus a manual process that could increase that cost to about \$35.

Senator COBURN. So there is potential for savings on the accounting side of this?

Mr. WILLIAMS. That is correct.

Senator COBURN. So the next question is if they do not get the right fare, if they do not get the best fare, if people book it but then by the time it is done they did not get the fare because it is not a booking system, whatever savings we have got we have got great potential to lose in terms of an increased cost? Just looking at it in the whole of what we have.

Mr. WILLIAMS. That is correct. If you end up saving \$32 on your processing fee, and you end up—

Senator COBURN. Paying \$100 more for the flight.

Mr. WILLIAMS [continuing]. Paying \$200 more for a flight, then you really have not achieved savings in that scenario.

Senator COBURN. Let me tell you about a guy I travel with every week. He works for the Defense Department. He flies out of Tulsa, just like I do. And he says the accounting system of this is good but the booking system stinks. So he does not use it to book. He goes on Travelocity or Orbitz, books his flight, then uses the DTS system to get it paid for because routinely he did not get the fare or the flight by going through DTS.

If that is the case, why are we still paying for the booking side of it, if it does not work? And he is not the only one. Everybody that I talk to in the military says this is not working. It is not working the way it should be working and it is not working on a timely basis.

So the question is, my the ultimate question to that is are the recommendations in your reports to create a way to measure the effectiveness of this so that we say let us quit sending money down the rathole, we paid for this system of accounting, let us start using it and let us go to some other method of booking travel, hotels, rental cars, etc.

Are there recommendations in your reports that you think they will follow that will get us to that point?

Mr. WILLIAMS. Senator Coburn, that was outside of the scope of what we were asked to do. We basically just laid out some of the facts as far as the fundamentals of the assumptions and the usage.

Senator COBURN. Let me ask you for your opinion then. What is your opinion as far as the internal cost accounting function of this versus the booking function? Should we continue to pay money into this system, in your opinion, for the booking side of it that does not seem to be efficient?

Mr. WILLIAMS. I would have to say that, based on what I have heard today, I would concur with the statement that there are savings on the accounting side, as far as the difference between manual versus automated payments.

I would not like to form an opinion as to your question because I have basically looked at this from a fact-based standpoint. We have not analyzed how much savings you are getting from DTS, not how much more it is going to cost DOD?

Mr. GIMBLE. Senator Coburn, I think, from our perspective, is that when they do the Section 943 study, when they separate that out, depending on what that shows, and whether there will be a savings or not, they will make that decision as to whether to go forward with the reservation part or not.

However, I think the bigger challenge for us is that we think the accounting part is working and we have recommendations that would request the Department to come up with a strategy to have a 100 percent deployment of the accounting part of it or, if the Section 943 study comes back with a workable reservation side of the equation with it, that would be deployed, too.

I think one of the things that we see is it is not being deployed fully across the Department. And that is one of the things that we see as a challenge.

Senator COBURN. Would you think there may be some stimulation or incentive if the contractor was paid on a per usage basis rather than a gross dollar contract?

Mr. GIMBLE. I have not thought enough on that to have a valid opinion.

Senator COBURN. I have. If it was per item used, they would be a whole lot more efficient, if that is where the revenues were.

Mr. Chairman, I yield back.

Senator COLEMAN. Thank you. Thank you, Senator Coburn.

I have a whole series of other questions but we have Undersecretary Chu here and I would like to hear his testimony. I think the point has been made.

My frustration over this, again we are talking about lack of data. So now we are going to spend 4 years and we still do not have data. We have a system, the report notes 5 of 27 DOD locations were not using it at all, 22 sites using it occasionally. The anecdotal comment of your Tulsa individual, from Oklahoma, who was not using it. The report demonstrates that is not at all unusual.

And then if you ask the question why, it is obvious that it does not list all hotels, it does not do the city pairs, it does not cover train travel, a whole range of voids. I think at a certain point in time, even if we are analyzing, we have this dream, this hope. We have this great system out there. And at some point somebody has to say what is the cost and how much do we keep pouring into this, understanding the accounting side makes sense.

I am not going to do another round unless, Senator Coburn, you have some desire to do so.

Senator COBURN. No, I just would like the opportunity to insert written questions of the witnesses so that we can get the answers back.

Senator COLEMAN. That is fine.

Gentlemen, then this panel is excused and we will then call the next panel, which will be Under Secretary Chu.

Mr. Secretary, I want to thank you for appearing before this panel. I appreciate that you are understanding that we will typically have the investigators issue the reports before we hear even from senior administration personnel. So I want to thank you.

As you know, all witnesses before this Subcommittee are required to be sworn. I would ask you to please stand and raise your right hand.

Do you swear the testimony you are about to give before this Subcommittee is the truth, the whole truth, and nothing but the truth, so help you, God?

Mr. CHU. I do.

Senator COLEMAN. Thank you, Mr. Secretary.

I think you are familiar with the timing system and your complete testimony will be entered into the record. I would ask you to begin.

TESTIMONY OF DAVID S.C. CHU, Ph.D.¹, UNDER SECRETARY FOR PERSONNEL AND READINESS, U.S. DEPARTMENT OF DEFENSE

Mr. CHU. Thank you, Mr. Chairman. I appreciate the opportunity to outline for your Subcommittee this morning where the Department stands on the Defensive Travel System and on the larger question of commercial travel policy of the Department.

These are two important subjects. They overlap. They are not, of course, exactly the same.

Commercial travel policy in the past in the Department of Defense has been a fragmented responsibility. The Department made the decision and began executing the decision in February of this

¹The prepared statement of Mr. Chu appears in the Appendix on page 61.

year to bring all travel policy oversight into one place, into my office, and we have created a Defense Travel Management Office in order to carry out that responsibility. I anticipate we will complete the transfer of the various functions relating to travel in the Department, in terms of policy oversight, by the end of the current fiscal year.

We have two goals in our oversight responsibilities, our new oversight responsibilities, for commercial travel policy in the Department. The first is to ensure that we get the best value, both for the government and for the user. The user embraces both the organization an individual works for and that individual himself or herself.

Second, we need to ensure that the systems that support the user are responsive and can provide effective assistance. We have, as you have outlined in the earlier panel, all sorts of different travel situations in the Department of Defense and we need to be able to be supportive of the needs of our travelers in those highly varying circumstances.

We recognize that we are partners in this enterprise with industry and with the users, both the organizations in which they work and the travelers themselves. And I believe we are making progress in establishing that climate of partnership.

If I may turn very briefly, then, to the Defense Travel System itself. It has, as the earlier panel and your discussion of its testimony underscores, two important functions. It is a financial management system and it is a booking system. Indeed, you might view it as a management information system.

It began in the middle of the last decade. It began in the last Administration as part of the reengineering government approach. They set out a very ambitious vision, to have a single system that would end-to-end deal with all of the transactions involved in travel, starting with the traveler's inquiry as to what the options might be, through the booking of the ticket and inclusive, importantly, of the back office accounting functions for the funds involved, to be sure that they were applied correctly.

Indeed, if you look at this history, in my judgment, and I am a newcomer to this—I received responsibility just recently for this system—the focus really was on the financial support elements of this system. You could see that in the proponency for this system, largely from the financial community. You can see it in the way the workload was organized for the development of the system. The first priority in this system was the back office financial management element, not the booking system, not the traveler's convenience.

I think as you look at some of the challenges this system faces, that explains some of the issues that we have with us today.

I would be honest, sir, in acknowledging the Department is not satisfied with our track record on this system, particularly as it applies to the travel functions, what the traveler sees, the booking end, as you have phrased it.

I do believe an important element, a root cause if you will, in some of that dissatisfaction does lie in our previously fragmented oversight for commercial travel within the Department. Therefore, I am hopeful that if we can bring a more cohesive approach to the

management of the commercial travel department we will, in the end, solve these front-end problems.

I do not want to get ahead of the independent study that Congress directed we undertake. So I am trying very hard not to form decided opinions about what works or what does not work.

I am struck that most observers of the Defense Travel System agree that the back office financial functions work reasonably well. At the same time, there are extensive criticisms of the front end, the booking end, the kind of thing that you see on an airline's travel site or a hotel systems travel site or in Travelocity or various other commercial systems that are out there. And I do acknowledge that is where the work probably needs to focus as we go forward.

We will be using the independent study as our guide, sir. We are almost ready to launch that study. It does need to meet a tight set of deadlines so we can be successful.

We are taking as a principle, however, that the Defense Travel System in the end is a means, not an objective in and of itself. Our real goal here, as articulated earlier, is to ensure that we get the best value for the government and for the users of the system and that we provide responsive, effective assistance to the many travel situations that Department personnel confront.

Senator COLEMAN. Thank you, Mr. Secretary.

I appreciate your reflection that DTS is not an end in itself. It is a means to an end. If the end is one that can be accomplished without it, particularly on the travel side, I think that is important to reflect.

Before I begin my questioning, I just want to raise one other issue that has come up in regard to the investigation of this. It has to do with a sensitivity on the part of whistleblowers. I want to bring it to your attention because as we go forward, I will tell you that we have talked to travel agents who work with DTS every day. They have been very critical. And there was some concern about coming forward, that there would be some retribution.

Robert Langsfeld was a consultant who was retained to conduct a study of the efficacy of DTS. He testified before this Subcommittee last year. He was fired by GSA, and he testified, when he said he refused to change adverse findings about DTS.

So I just want to bring the issue and put the issue on the table because we have had travel agents who chose not to come forward because I did not want to put them in a position that they felt was jeopardizing their financial livelihood. So I think by bringing it to your attention, I would take it that you will have great sensitivity to that and ensure that whistleblower protection is out there for any who are involved in this kind of review and investigation.

Mr. CHU. We certainly would, sir, and I want to go further than that. We are eager to understand what the criticisms are. I know one of the issues in the various reports, GAO and IG, is the question of mandating use of the system. And in fact, the Department did, in 2001, under the then leadership, mandate the use of the system.

But in the end, as we all appreciate in these endeavors, if the system is not user-friendly—let me put it positively. The system needs to be user friendly, helpful to the traveler and the using

agency, or people will find ways around its use. I think Senator Coburn pointed to his traveler as an example of that.

So in the end, we need an effective system and we need to hear from the critics as to what they do not like about the system. We need to have an outlook of correcting problems, as opposed to defending any particular set of software. We are not trying to do that.

I would want to emphasize, however, and I do not want my comments to be taken as unduly harsh vis-a-vis the Defense Travel System as an enterprise—because if you look at the lines of code in the system, it is my understanding that 85 to 90 percent of the lines of code in the system have to do with the accounting back office functions. Again, I do not want to reach conclusions prematurely, but my sense of the various evaluations is that even the more critical agencies think that portion of the system works reasonably well and is a success.

Senator COLEMAN. Again, I think the focus, clearly the focus of the principal criticism has been on the travel piece.

Mr. CHU. As you phrased it in the earlier panel, the booking function—

Senator COLEMAN. The booking rather than the travel function.

Mr. CHU [continuing]. As opposed to the accounting for travel, paying the travel voucher.

That has all been speeded up enormously. It is more accurate, better managed, I think. The financial community within the Department is very happy with the functionality in that regard. They see criticisms of the Defense Travel System as a threat to the improved performance they think they have achieved in that domain.

I want to be careful not to cause commotion in that regard.

Senator COLEMAN. I would hope at the same time that we are careful to recognize when there is great user concern reflected in the data.

Mr. CHU. Absolutely, sir.

Senator COLEMAN. You talked about that we are looking forward to the independent study. The DOD's Office of Program and Analysis evaluation recommended an analysis of alternative travel solutions, and a pilot program to assess whether commercial travel solutions can be used as partial end-to-end solutions. I think the testimony was that these recommendations were never implemented.

Mr. CHU. That is all before my time, sir. I have taken, as my instruction, your statutory direction that we constitute a new independent study with a forward look. If we made mistakes in the past, they unfortunately cannot be undone. What we need to do now is put ourselves on the right course for the future.

Senator COLEMAN. One of the problems of even complying with the current study, the Congressionally mandated study, is they do not have the data.

Mr. CHU. We have acted on that front, sir, and we have started to put in place the metric set that, at least from our perspective, will be important to judging whether a system is successful or not. So I think we are, and I believe the previous witness acknowledge that we are, in the process of putting those metrics into place.

Senator COLEMAN. My frustration is 4 years ago we had recommendations to do evaluations. There was no data. We are sitting here today, 4 years later, there is no data. We are now hearing we

are beginning to put metrics in place and at least the money clock is—

Mr. CHU. There are data, sir. I think the issue is how complete are they.

I would also emphasize, as I have looked at the prior and most recent efforts to evaluate the cost-effectiveness of the system, I think there are two big points that deserve emphasis.

First of all, some costs are a bygone. What we have already spent on DTS, whether it was meritorious or not, is spent. We cannot get it back. We cannot sell it. Maybe we can sell it, but I will leave that for someone else to adjudicate.

Second, I think the real savings here are not where we have been looking. We have been looking at could we reduce manpower. We believe we have. The Air Force, for example, took several hundred bullets out of the travel function. That is an issue of methodological dispute with the General Accounting Office where I have a different position than they do, I should emphasize.

But the real savings here come from two sources, in my judgment. One, better enforcement of Defense Department policies on travel. For example, use of premium class travel, when is it applicable and when it is not applicable.

Second, encouraging the Department to pick cost-effective solutions to its travel needs. I will give you an example of an issue we are reviewing in the Department. The Department's policy now heavily favors the use of refundable tickets. The airline industry—I have flown for 56 years, yes, all tickets used to be refundable. Few tickets these days are refundable.

That is a good policy if you are dealing with one traveler because he or she may change his plans or her plans. But if I have 10 people going, maybe I should be looking at nonrefundable fares because they are typically much less expensive. Even if I have to cancel one or two tickets, I could be ahead of the game. One of the difficulties with the current policy is we have a very myopic, soda-straw view. We do it traveler by traveler. Sometimes, we do groups, I grant.

And so what I am hoping we can bring to this whole set of issues is a broader view of how do you have a cost-effective travel policy, not just a travel booking system?

Senator COLEMAN. And I appreciate your focus on that, and certainly the focus on first-class travel has been a result of the investigation of this Subcommittee that found massive abuse of the first-class travel system. So in the process, we have changed that.

Mr. CHU. We are painfully aware of that, sir.

Senator COLEMAN. So we appreciate that.

But a question in terms of savings. You are still using legacy systems, are you not? So in spite of all this investment—at least on the travel side. In spite of all this investment in a system that is obviously not being used to the extent it should, at the same time you have not gotten rid of your legacy systems.

Mr. CHU. Not all, sir, and I think that is one of the challenges in front of us is to be able to turn off the legacy systems. But it comes back, I think, to the issue you have raised, the confidence of the traveler in the new system.

We need to build that confidence. I think we are slowly gaining their confidence. Part of it is a matter of education and training for our people. Part of it is a matter of demonstrating that the system will, in fact, do what it is supposed to do for them. That is an ongoing issue.

Senator COLEMAN. According to the travel agents who I spoke with, almost all of them said that the DTS does not—on the travel booking side—does not compete, is not in the same ballpark as current commercially available travel systems. Again, experience shows you folks are not using DTS. They are using the currently available systems.

When you evaluate DTS, what I would like to see is a commitment that you are evaluating against commercially available systems, what is out there.

Mr. CHU. I think that is part of the set of issues for the independent study. I do think we have to be a little careful when we observe that some of our travelers are not using DTS. DTS does have built into it our current policy rules. They do not permit you or make it more difficult for you to do things that we have judged—whether wisely or not—to be courses of action we prefer you not follow.

So one advantage people gain by going off to a commercial system is they do not have to comply immediately with those strictures. So I think we have to be a little careful about this issue of how people have used some other system. Sometimes it is in order to get outcomes that we have, as a matter of policy, proscribed.

Now whether they should be proscribed or not, that is one of the doors I wish to open and want to look at. Are we in the right place with all of our travel policies? As I have started to look through these travel policies the last few months, I certainly find some of them earn that sort of an antique quality. They were the right choices when the industry behaved in a particular manner 5, 10, 15, or 20 years ago, and in some cases more years ago than that. They may not be the right choices today. That is part of the debate we are having inside the Department. What travel policies do we want to have the Department following? And how are we going to enforce them?

DTS, importantly, is an enforcement mechanism. That is one of the reasons I think we should be careful about simply saying we can use a commercial travel system.

I am not against the commercial travel systems. I use them for my personal travel. Many of them are very fine.

Senator COLEMAN. I understand the concern. Again, we keep getting back to the back end, the accountability. When the travel is completed, you want to make sure it is processed in the right way. We want to make sure we have information to track that and to audit that. We want to make sure that policies are followed, particularly first-class travel by way of example.

But my problem is we have a system that right now does not cover a range of functions in daily travel. In testimony, the Reserve, the National Guard, that does not provide complete information, that does not provide the cheapest or the lowest available fares.

So I hear what you are saying about we want to keep people tied into a good accounting system. But if in the end they are paying significantly more than we should, if they are not getting the service that they deserve—and in fact, they are speaking with their fingers and their legs, they are walking or dialing something else. It tells you that even with that goal of having that good back end, if the travel end is not operating, you have got a problem and the taxpayers are paying for it.

Mr. CHU. We fully agree with you, sir. We fully agree on the objectives. I do think I want to underscore why we face the issues that you have just described.

First, in terms of functions not covered, that is because, as I testified, the focus of the system at the start was on the financial back end. That is why they started with the financial systems.

Had the focus been on the traveler, I think we would have started at the other end. Whether we should have done it that way or not, we cannot change now. We are now trying to bring that spirit to the system.

Second, this question of lowest possible fare. The Department's policy is to emphasize the use of refundable airfares. That is one of the things I want to emphasize. Many of our travelers, in my judgment, and that is the policy issue I am reopening, are questioning why do we have that policy? They can buy a non-refundable ticket, often at a fraction of the cost of the refundable fare. Their issue is why cannot I do that and save more money?

Now why does the Department have that policy? Because many travelers change their plans, the situation changes at the last minute. Then from the individual traveler perspective, the government has "lost" that money—

Senator COLEMAN. Mr. Secretary, I am going to turn to my colleague. Just one comment here.

The issue is not competing policies. The issue is that we do not even know what the lowest fare is. It would be one thing to say well, we have a choice. We know this is low-fare but we want a refundable ticket. We have half a billion dollars in a system in which we cannot even tell you if it is the lowest fare. We cannot tell you because it does not have all the information.

Mr. CHU. I think, Senator, that criticism—I have started looking into that criticism. I do not claim to have a complete understanding. But from what I have developed so far, I think a lot of that criticism has to do with the issue of in what travel window have you asked for fares. This is an issue in the commercial travel sites, as well. Many of them are much more friendly in cuing you to understand. If you just enlarge the window here you get a better price, or change the travel date.

So I think you want to be a little careful, on that particular point, to be overly critical of DTS.

Senator COLEMAN. Senator Coburn.

Senator COBURN. I want to be plenty critical of it. Let us go back.

Do you have any concern that we started out with \$250 million in cost to get a Defense Travel System and we are at a half a billion now? Does that bother you at all?

Mr. CHU. Absolutely, Senator, but that is not my doing, I want to emphasize.

Senator COBURN. I understand that.

How do we keep from making this mistake again? How do we change procurement to where we do not go down a money pit and we do not get what we thought we bought, and yet we paid twice for what we thought we bought and we still do not have it? And it is not just DTS and the defense system that are doing that.

So my question to you is what do we change in the Department of Defense so this does not happen again?

Mr. CHU. I think sir, let me offer a hypothesis here. This started in the last Administration with a very visionary view of how to deal with travel, end-to-end system, a lot of management data, do exactly the kinds of things that have been called for in this hearing this morning.

It was married up with a business strategy that had, in my judgment, not been tested on the scale the Department of Defense operates and with the complexities of the rule sets and the varieties of travel in which our travelers engage.

Senator COBURN. I just do not buy that. Northrop Grumman has been contracting with the Federal Government for a long time.

Mr. CHU. No, sir, that is not the issue of the contractor—actually it started out as BDM, it did not start out with Northrop Grumman, which was, in turn, bought by TRW, that was in turn bought by Northrop Grumman. So Northrop Grumman has inherited this system, just as my office has inherited the system.

But to your excellent question, what is the generic problem that led to less success than was originally envisioned? My personal view, and that is all it is, my personal hypothesis, is that we tried on a full scale both an ambitious vision and a new business strategy for how we might develop such software. It was originally going to be a fee-for-service system. In other words, the Department would pay a fee every time they used it and the developer would therefore absorb all the costs.

My personal view is trying that many new things on that scale at once was not the right procurement strategy.

Senator COBURN. I do not buy that. The fact is that we do not have policies that say we buy something and we are going to get what we paid for and there is a consequence if a vendor does not supply it.

What we have said is there is no consequence. We are going to keep giving you money, whether you deliver or not.

Let me go on to a couple of other things.

Mr. CHU. Sir, if I could just respond a moment, I think you are speaking to the change in procurement strategy that occurred early in this Administration in which the Department switched from that original strategy to the present one, which is more classic in its construction.

My understanding—I have asked the same question. Why did we change? What were the causes of this change?

My understanding is that it was exactly because of the issue that Senator Coleman raised. The military departments, the Uniformed Services, came to the then-responsible agency and complained that the system was not going to cover the breadth of functionality, the types of travel that they needed. It was too much oriented to ordi-

nary domestic business travel, not the variety of military situations that are actually confronted.

So in order to meet those new requirements, the Department decided to switch procurement strategies. I am not sure it is entirely fair to blame other parties for that.

Senator COBURN. If they were spending their own money, they would have gotten one heck of a lot better value out of this. And remember we are not spending our money. We are spending our grandchildren's money.

Mr. CHU. Sir, I am equally upset at the expense that is involved here, but I have also had the privilege of watching the Department try fixed-price development contracts, which I think is what you are arguing for. There is merit to that if it is well-understood technology. If it is not, what the Department has found, is that often you get into much worse trouble.

Senator COBURN. I would tell you Expedia.com is well understood technology. Travelocity.com is well understood technology. You did not have to redevelop that. You could have bought it. Nobody did that. What we did is—

Mr. CHU. Sir, as I—

Senator COBURN. I have a limited amount of time and I want to get to another area.

Mr. CHU. Sir, but if I may—just to keep the record straight, 85 to 90 percent of the code in this system is not for what Expedia.com does or Travelocity.com does, 85 or 90 percent of the code is for back office accounting function.

Senator COBURN. That is fine, but you already said—

Mr. CHU. That is where the expense is.

Senator COBURN [continuing]. They did not concentrate on that, and that is where the problems are with the system.

Mr. CHU. No, sir. As I have been best able to assemble the record, that is what they did concentrate on. That is where most of the expense really lies.

Senator COBURN. Is in the back office.

Mr. CHU. Is in the back office.

Senator COBURN. I do not have any complaints. I think they have done a good job on that. But if that is the case in the back office and we are still at twice the contract price and we have not gotten the front part, which could have been contracted out.

Let me go on to another area. I want to know, a Federal judge said that you all did not own this, the DOD does not own this, in 2004. In a September 23 letter to the DTS contractor, Northrop Grumman said they would sign over the ownership rights to the DOD if requested.

Have you done that? Do you own it?

Mr. CHU. The General Accounting Office witness, I think, accurately summarized the situation, which is that there are elements of the system that the Defense Department does not "own". We have the rights in perpetuity to that software and we may use it with a different agent.

Senator COBURN. It was my understanding, Northrop Grumman said they would sign over the ownership rights to that if requested.

Mr. CHU. I am not a lawyer, sir, but my understanding of the legal situation is that, as a technical matter, what we have are the

rights in perpetuity. In other words, we can use it as if we owned it. We cannot sell it to somebody.

Senator COBURN. I am not asking you whether or not to sell it.

Mr. CHU. We have the rights—my understanding is we have—

Senator COBURN. If we paid for it, is it going to be turned around and sold to somebody else, as well?

Mr. CHU. We have the rights in perpetuity to the system and we have the right to allow someone else to be our agent for it.

Senator COBURN. The other thing you said you are developing, according to the Defense Authorization Bill, the metrics on how you are going to make the decision. I have a request for you. The request is that before you start making that decision, I think it would be very wise to share those metrics with this Subcommittee.

Mr. CHU. I would be delighted to.

Senator COBURN. If those metrics are the wrong metrics and we get another year down the road and another set of measurements that do not mean anything, all we are going to do is spend a lot more money.

Mr. CHU. We have nothing to hide, sir. We would be glad to share the metrics with you.

Senator COBURN. I would be very appreciative of that, so we can look at it and say are we really making the good decision?

With that, I will yield back.

Senator COLEMAN. Thanks, Senator Coburn.

Secretary, if 85 percent of this relates to accounting, would it be then difficult is to strip out the travel function?

Mr. CHU. I am not a software engineer. In principle you would believe—but I do not know: It is true you could think about a different front end. The business issue would be, are you better off correcting the problems with this front end—and I use front end very generically here, it is not physical—or would you be better off acquiring another front end?

I have learned enough about the system and its functionality to understand that a good deal of the expense in terms of the code on the front end has to do with embedding DOD travel policy.

So for example, we want a feature that triggers a review if you try to book premium class travel. That is made complicated by the fact that the airlines do not have standard codes. They all vary as to what this is.

So it is not as if you could just take something without also paying attention to what policy controls we want to impose on the system.

So I am sorry to offer a less than clear answer, but my belief is yes, you could contemplate a different front end.

Senator COLEMAN. Do you disagree with the statement of the first panel that we still do not know if the DTS is the best most cost-effective travel system for the Department of Defense?

Mr. CHU. I was actually struck, Senator, in listening to the prior witnesses, when you started on that question, you asked what are the alternatives? And there was a full 60 seconds of silence. There really is not an off-the-shelf alternative that does all of the things DTS does.

And therein lies the difficulty. This comes back, in some ways, to some of Senator Coburn's excellent questions about procurement

strategy. If we decided to switch to “something else,” either in part or in whole, what is that? Where is that system? What would it cost to customize to the various needs the Department has?

In fact, I have asked the most egregious question, suppose we just turn the whole thing off? What would happen? What I discovered would happen is we would revert to a series of labor-intensive manual practices. Certainly on the back-end accounting front, you do not want to do that.

We are exploring all options, sir.

Senator COLEMAN. One of the problems with why you cannot answer that question is because in 2002, when there was a report that was issued that said that—and this is the study by the Department’s Office of Program Analysis and Evaluation that I think you headed yourself for 12 years.

Mr. CHU. In an earlier era, yes, sir.

Senator COLEMAN. By the way, 2002, that is this Administration.

Mr. CHU. That is correct.

Senator COLEMAN. This Administration had a study that said look at some alternatives. Are you troubled by the fact that, in fact, those pilots or those recommendations were never implemented?

Mr. CHU. I think what I would highlight is the Department’s decision to start correcting the fundamental problem here, which is travel policy in the Department. It was in three different offices until February of this year. It has been brought together under my office’s jurisdiction. We have the same objective you do, which is very traveler oriented. How are we going to make the traveler effective?

Because one of the costs here, and one of the savings in my judgment, is if I have a traveler who arrives rested and ready to go, I have a more productive employee than someone who is worn out because they took a slightly cheaper connecting flight through some city pair fare that someone happens to love.

So we have a different view of this. We have gotten ourselves to a different place. Should we have gotten here faster? Absolutely. I make no apology, make no attempt, rather, to defend the fact that we should have gotten here faster. We should have. Absolutely.

Senator COLEMAN. Again, are you troubled by the fact that a 2002 report of the Office of Program Analysis and Evaluations recommendations, particularly recommendations for looking at pilots and alternatives, were never implemented? Are you troubled by that?

Mr. CHU. I think whether I am troubled or not, the real issue is what are we going to do going forward? That is where my focus is.

Senator COLEMAN. And our focus is what are we going to do going forward.

Mr. CHU. Right.

Senator COLEMAN. I have no further questions. Senator Coburn.

Senator COBURN. Commonsense tells you to step back from this thing and say we ought to be able to learn we did not do this one right. It does not mean people’s efforts and their desires were wrong. No reflection on that. As you can tell, I am very frustrated.

From our other Subcommittee, we think there is \$40 billion a year in waste inside the Pentagon, in terms of procurement. And

this is just a little symptom of what is going on. So I think we ought to look at that.

What I will assure you is that if this thing is not straightened out by next year, the Senate will not move a thing until it is. Because if we cannot fix the small things like a travel system for the Pentagon, there is no way we are ever going to solve the bigger ones.

The commonsense is this thing works on an accounting basis but does not work on travel. Go contract with Travelocity or one of the others and get the travel portion of it done. Tell them what you want and they will do it. They are in it for money. And they can do it cheaper, better, faster than we will ever develop a system inside the government.

So we ought to be using the outside vendors who have already experienced and already done it wrong several times, rather than to try to relearn it ourselves.

What I would think is keep the accounting portion, tell the people here how it is going to be. Some outside vendor is going to come and say we will give you a great deal. We will cut you a deal better than anybody in the country. And we will write it the way you want it and we will just use our system. This is Travelocity for the Defense Department. You will have it done and the work will be done and you will save us and our kids a ton of money.

We should not keep beating ourselves in the head trying to do something that we are not qualified to do.

Mr. CHU. Senator, we are not trying to do that.

Senator COLEMAN. That is why the metrics are very important.

Mr. CHU. That is why this independent study is important. That is why we are going to use it as our guide to the future.

I do want to emphasize the Department is not writing the code for this. This has been an outside vendor from the start. I did not choose the vendors, I did not choose the procurement strategy. But we are where we are.

Senator COBURN. I understand, but the point is you better get it fixed. That is all I am saying.

Mr. CHU. We are committed to it.

Senator COBURN. And you better find the answer between this time and next year or there is not going to be any money going to the Pentagon, as long as I am a U.S. Senator, until this is fixed.

Senator COLEMAN. Mr. Secretary, the question that is still out there: Is this the best most effective system? And we really do need an answer to that.

My last observation is—

Mr. CHU. Sir, if I may though, I would urge those who ask the question to offer the alternatives. What is the specific alternative? Not generic, "let us try again."

Because I have—you referred to my 12 years in Program Analysis and Evaluation. I have watched the Department try again and watched it better become the enemy of good enough. That can be a very expensive procurement strategy.

Senator COLEMAN. And 4 years ago there was a directive to at least look at alternatives, look at pilots, and those were not followed. So we are in this place today. I do not want to keep going

back to yesterday. I am really not happy about yesterday. I am concerned about tomorrow.

My last observation though is this, we talk a lot about the back end system. But in the end, this is about people. Folks are not using this for reasons. I understand the policy and the process, and we want to make sure. But I think you have got—we are in the customer service—your customers are your employees, in this instance. And I think you have got to be listening to your customer, listening to your employees who are telling you loudly that this system on the travel end simply does not work.

Mr. CHU. Sir, we are and we are committed to doing so.

I should emphasize there are 600,000 users of the booking function in DTS today, people in the Department. That is a very significant customer base. So I think it is a little unfair to say it is not being used.

But it is not where it needs to be. I agree with you. We are eager to hear those criticisms. We are eager to respond to those criticisms. Some of them have to do with underlying policies in the Department and how the travel industry treats those policies.

Senator COLEMAN. I would note, without engaging in debate, that both the GAO and the DOD IG have reported and testified that Department information on DTS usage is unreliable. But we are back to the same problem. We do not have sufficient data. We do not have sufficient analysis. We know the question out there.

We share a goal. The goal is the best most cost-effective system, good for the taxpayers, good for the employees, good for all of us. Let us figure out how to reach that goal.

Thank you, Mr. Secretary.

Mr. CHU. Agreed. Thank you, sir.

Senator COLEMAN. With that, this hearing is now adjourned.
[Whereupon, at 11:29 a.m., the Subcommittee was adjourned.]

A P P E N D I X

— November 16, 2006 —



Hold for Release
Expected 10:00 a.m.

Statement
of
Mr. Thomas F. Gimble
Acting Inspector General
Department of Defense

before the
Permanent Subcommittee on Investigations
Senate Committee on Homeland Security and
Governmental Affairs
on
"Management and Use of the Defense Travel System"

Mr. Chairman and Members of the Permanent Subcommittee on Investigations:

Thank you for the opportunity to discuss our recent audit of the Defense Travel System (DTS) with you. By now you should have received copies of Report No. D-2007-024, dated November 13, 2006, "Management and Use of the Defense Travel System," which details our findings. I testified before your committee on September 29, 2005, regarding our July 1, 2002, audit report.* In that report, we concluded that there was substantial risk that DTS would not successfully streamline the Department's travel management process and that DoD should have managed the DTS Program as a major automated information system. We recommended that the Director, Program Analysis and Evaluation conduct a cost effectiveness study of DTS; however, that study could not be completed.

More recently, in a letter dated August 11, 2005, your Subcommittee requested that my office "undertake a full, complete and independent performance and cost benefit evaluation of the Defense Travel System to determine if it is the most cost-effective solution to the Department's travel needs." The Department could not provide supporting documentation to substantiate all DTS and legacy system cost data. Therefore, it is not possible for us to determine whether DTS is the most cost-effective way to meet the Department's travel management needs or even to fully quantify cost savings that might have been realized by using DTS. However, we believe that DTS could potentially achieve benefits for DoD. Substantiating such benefits will require effective data collection throughout the Department.

DTS supports two distinct processes: travel reservations and financial management. DoD personnel indicate they have experienced problems with the travel reservation functionality, but did not indicate problems existed with the financial management functionality. As a matter of fact, DoD personnel indicated that they have seen dramatic improvements in: reducing the time it takes for travelers to receive reimbursement; reconciling centrally billed accounts; controlling delinquent accounts; and management of their travel budgets. Although the Department did collect data to demonstrate faster payments to travelers, they did not establish processes or maintain sufficient data to measure the benefits. The Department's failure to develop a formal reporting process to capture and retain travel cost data, including data necessary for measuring benefits, remains a major challenge to determining whether this travel system is the most cost-effective solution to the Department's travel needs.

*Report No. D-2002-124, "Allegations to the Defense Hotline on the Management of the Defense Travel System"

Section 943 of Public Law 109-364, “John Warner National Defense Authorization Act for Fiscal Year 2007,” enacted on October 17, 2006, should guide the Department to determine the most cost-effective method of meeting travel needs. Section 943 requires the Department to determine the feasibility of separating the financial management infrastructure from the travel reservation process and making the financial management infrastructure mandatory for Department travelers. Recommendations in our audit report on DTS could also improve the efficiency of the overall process.

The Department employs almost 3 million potential travelers—a significant sized group to shepherd through the learning curve for a procedural change. DTS represents a marked change in how travelers process their authorizations and vouchers. Many Department employees feel DTS saves them time in planning travel and reimburses them more timely. And conceptually, DTS should provide a better audit trail and move the Department forward in its drive to achieve a financial statement audit opinion in the near future.

Defense Travel System

The Department envisioned DTS as the 21st century model of efficiency and service, featuring the best practices in industry. The Program Management Office planned for DTS to support all forms of business travel through a single, paperless travel system, available to users 24 hours a day and 7 days a week. In addition, the Program Management Office designed DTS to interface with DoD accounting and disbursing systems to increase the speed with which DoD travelers receive payment to settle vouchers. The Department reported that it expected total DTS Program costs of approximately \$2.24 billion over the 20-year life cycle of the Program.

Availability of Supporting Documentation

The Department could not provide supporting documentation to substantiate all cost data for DTS Investment or Operation and Support. Costs to maintain legacy travel management systems while DTS was being implemented and historic travel costs (Status Quo) could not be validated either. We requested FY 2003 through FY 2005 cost data from the Program Management Office, the Services, the Defense Finance and Accounting Service, the Defense Information Systems Agency, and the Defense Logistics Agency (the Reporting Entities). The remaining Defense agencies did not have specific focal points responsible for DTS management; therefore, we were unable to obtain data from those agencies. We audited FY 2005 cost data and available supporting documentation to determine whether an audit trail existed for us to substantiate the most recent cost data reported to us.

Investment Cost Data

The Program Management Office and Services reported \$58.44 million in DTS Investment costs for FY 2005; however, their documentation could support only \$47.31 million of those costs. In other words, \$11.13 million in FY 2005 DTS Investment costs were not substantiated by documentation.

Operation and Support Cost Data

The Reporting Entities reported \$44.05 million in DTS Operation and Support costs for FY 2005; however, their documentation could support only \$7.32 million of those costs. The other \$36.73 million in FY 2005 DTS Operation and Support costs they reported were not substantiated by documentation. Again, the FY 2003 and FY 2004 cost data were limited. To further complicate the issue, the Services used different data when calculating DTS Operation and Support costs. The Services used varying methodologies for calculating personnel costs (salary, etc.), which introduced additional inconsistencies in the universe of Operation and Support cost data.

Legacy System Cost Data

The Services, the Defense Finance and Accounting Service, and the Defense Logistics Agency reported \$215.29 million in legacy system costs for FY 2005; however, none of those costs were substantiated by supporting documentation. Limited supporting documentation was available for FY 2003 and FY 2004 cost data.

Travel Voucher Data

The Defense Finance and Accounting Service could not support the number of travel vouchers it processed for DoD personnel during FY 2005. It provided two sources of travel voucher data: a consolidated report from e-Biz and individual databases from each Defense Finance and Accounting Service disbursing center. The two sources should have provided consistent data on the number of vouchers processed but differed by more than 3 million vouchers. However, the DTS Program Management Office indicates that DTS data is now stored in a centralized repository, which may improve the Department's ability to capture travel voucher payment data.

Previous Departmental Efforts to Collect and Validate Travel-Related Cost Data

Problems with documentation supporting DoD travel costs existed before DTS and continue to exist. During a 1994 to 1995 study, the Task Force to Reengineer Travel concluded in its January 1995 report, "Report of the Department of Defense Task Force to Reengineer Travel," that it could not easily identify all costs involved in the temporary duty travel process. Specifically, the report states that the costs of administering travel

were unquantifiable, and the cost of time spent by travelers completing authorizations and vouchers had never been officially calculated or documented.

In response to a draft of our July 2002 audit report, the Under Secretary of Defense (Comptroller)/Chief Financial Officer tasked the Director, Program Analysis and Evaluation to complete a cost-effectiveness study. The Director, Program Analysis and Evaluation conducted that review and issued a report on December 17, 2002, "Defense Travel System Cost Effectiveness Review" concluding that the Department did not capture travel costs necessary to validate program savings. As such, the Director, Program Analysis and Evaluation could not say whether DTS was the most cost effective system to support DoD travel.

In anticipation of the DTS Milestone C Decision Review, the Principal Deputy Director, Program Analysis and Evaluation, wrote in a memorandum, "Defense Travel System (DTS) Acquisition Program Baseline Comments," that the Department needed more reliable data after reviewing the 2003 DTS Economic Analysis. Office of Management and Budget Circular A-94, "Guidelines and Discount Rates For Benefit-Cost Analysis of Federal Programs," October 29, 1992, and DoD Instruction 7041.3, "Economic Analysis for Decision-making," November 7, 1995, require such data for making decisions and assessing the effectiveness of a program. The Program Management Office developed the 2003 DTS Economic Analysis and subsequent Addendum (September 2, 2003) without ensuring all sources of data had been or could be validated. These undertakings, in addition to our inability to validate current DTS and other travel-related cost data, represent a fundamental flaw in the Department's reporting process. The flaw is not specific to DTS—it is a Department-wide failure to collect and retain travel-related cost data that are auditable.

Continued Use of Legacy Systems to Support Temporary Duty Travel

The Under Secretary of Defense (Comptroller)/Chief Financial Officer and the Under Secretary of Defense for Acquisition, Technology, and Logistics issued a memorandum on July 17, 2001, "Defense Travel System," and the Deputy Secretary of Defense issued Management Initiative Decision 921 (MID 921) on October 18, 2004, "Commercial Travel Management." The memorandum and the Decision require DTS to be used as the single standard system for completing temporary duty travel. However, the Department continues to use legacy systems to support travel. Specifically, at 5 of 27 sites visited, DoD Components continued to use only legacy systems to support travel despite DTS being deployed to those sites. At the remaining sites visited, DoD Components continued to use legacy systems some of the time to support travel that could have been processed using DTS.

Travel That Could Have Been Processed by the Defense Travel System

More than 50 percent of the 1,632 vouchers reviewed at 26 sites (892 vouchers) could have been processed using DTS. Use of legacy systems at sites where DTS is up and running reduces the Department's ability to achieve potential cost savings. Of the 892 vouchers, 295 were Army and Defense agency vouchers, which could have reduced overall travel processing costs paid to the Defense Finance and Accounting Service by as much as \$31.80 per voucher. In addition, when the Department uses legacy systems instead of DTS, it limits its own ability to successfully achieve the projected benefits described in the Addendum to the 2003 DTS Economic Analysis. The Department works against itself.

Guiding Defense Travel System Implementation

The Department lacks an overall travel management strategy to guide it in achieving the benefits identified in the Addendum to the 2003 DTS Economic Analysis. The strategy should describe a means for supporting all types of temporary duty travel and include necessary changes to travel policy. We believe DTS cannot effectively streamline the Department's travel management or bring about cost savings without:

- a DoD-wide process for monitoring use,
- procedures for holding the Services and Defense agencies accountable for complying with DoD policy, and
- a plan for meeting existing requirements and new requirements that may be added.

Monitoring and Accountability

The Department does not have a single process for monitoring DTS use, and the different processes used did not capture uniform types of data. During our site visits, we found that DoD Components did not always use DTS to support travel that involved the use of a centrally billed account, another organization's line of accounting, or invitational travel even though DTS clearly supports travel under these circumstances. If the Department had a process in place to effectively monitor DTS use and the Services and Defense agencies were held accountable for not using the System, it would discourage Components from processing travel through means other than DTS.

Meeting Additional Travel Requirements

DTS does not yet support all types of routine temporary duty travel because the Program Management Office has not met deadlines for all planned releases or system updates. The Program Management Office has not developed a plan stating how and when critical upgrades with missed deadlines or those planned for the final release will be executed, nor has it addressed all system change requests that seriously affect DTS functionality. In fact, the Defense Finance and Accounting Service issued a report on February 22,

2006, "Review of the Defense Travel System," identifying 24 types of routine temporary duty travel in the Joint Federal Travel Regulations that were not included in scheduled releases or the final release. Examples of those types of travel include travel for Reserve and Guard members and permanent duty travel.

We believe the Department's travel management strategy should address a process to effectively measure realistic and achievable benefits. Until the Department develops a travel management strategy and improves its ability to measure efficiencies gained by implementing DTS, it will not know whether it could achieve such benefits as:

- transforming travel management to a fully integrated end-to-end travel and financial management system that supports temporary duty travel,
- increasing personnel productivity by reducing the time spent on travel administration by a minimum of 40 percent,
- reducing travel processing costs,
- contributing to clean audit opinions, and
- reducing delinquent travel card payments.

Report Recommendations

Our report recommends that the Under Secretary of Defense (Comptroller)/Chief Financial Officer and the Under Secretary of Defense for Personnel and Readiness coordinate with Department comptrollers to develop a formal reporting process, maintain detailed records of all DTS and legacy system travel costs, and establish a viable process for measuring whether using DTS has enabled DoD to achieve projected benefits cited during the Milestone C Decision.

The report recommends that if DTS is to continue being used after the DTS study required by Section 943 of Public Law 109-364 is completed, then the following should occur:

The Under Secretary must develop—in coordination with the Director, Business Transformation Agency; the Services; and Defense agencies—a travel management strategy that includes a plan for effectively implementing DTS at all remaining sites, and a single methodology for consistently monitoring compliance with Department policy.

The report also recommends that the Under Secretary establish a plan addressing short- and long-term goals to achieve 100 percent use of DTS for routine temporary duty travel.

Further recommendations include:

- The Director, Defense Finance and Accounting Service should implement a process to ensure voucher payments recorded in the disbursing systems can be reconciled to voucher payment data in the e-Biz accounting system.
- The Program Director, DTS Program Management Office, should institute a more effective and timelier process for addressing system change requests to improve the Department's ability to use the System if a decision is made to continue the program after the newly legislated review.

United States Government Accountability Office

GAO

Testimony

Before the Permanent Subcommittee on
Investigations, Committee on Homeland
Security and Governmental Affairs,
U.S. Senate

For Release on Delivery
Expected at 10:00 a.m. EST
Thursday, November 16, 2006

DEFENSE TRAVEL
SYSTEM

Estimated Savings Are
Questionable and
Improvements Are Needed
to Ensure Functionality and
Increase Utilization

Statement of McCoy Williams, Director
Financial Management and Assurance

Keith A. Rhodes, Chief Technologist
Applied Research and Methods
Center for Technology and Engineering



GAO-07-208T

November 16, 2006

 G A O
Accountability Integrity Reliability
Highlights

Highlights of GAO-07-208T, a testimony to the Permanent Subcommittee on Investigations, Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

In 1995, the Department of Defense (DOD) began an effort to implement a standard departmentwide travel system. The Defense Travel System (DTS) is envisioned as DOD's standard end-to-end travel system. This testimony is based on GAO's September 2006 related report. Today's testimony highlights GAO's key findings with regard to the following objectives: (1) Were the two key assumptions made in the September 2003 economic analysis reasonable? (2) Was DOD taking action to ensure full utilization of DTS and gathering the data needed to monitor DTS utilization? and (3) Has DOD resolved several functional problems associated with weak system requirements and testing? To address these objectives, GAO (1) reviewed the September 2003 DTS economic analysis, (2) analyzed DTS utilization data, and (3) analyzed DTS flight information.

What GAO Recommends

GAO made four recommendations aimed at improving the management of DTS, including periodic reports on DTS utilization and resolution of inconsistencies in DTS's requirements. DOD generally agreed with the recommendations and described efforts to address them. DOD also strongly objected to the finding that the reported personnel savings were unrealistic. However, DOD provided no new data that were counter to GAO's findings.

www.gao.gov/cgr-bm/gcrpt?GAO-07-208T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact McCoy Williams at (202) 512-9095 or Keith Rhodes at (202) 512-6412.

DEFENSE TRAVEL SYSTEM

Estimated Savings Are Questionable and Improvements Are Needed to Ensure Functionality and Increase Utilization

What GAO Found

GAO's analysis of the September 2003 DTS economic analysis found that the two key assumptions used to estimate annual net savings were not based on reliable information. Two cost components represent the majority of the over \$56 million in estimated net savings—personnel savings and reduced commercial travel office (CTO) fees. In regard to the personnel savings, GAO's analysis found that the \$24.2 million of personnel savings related to the Air Force and the Navy were not supported.

- Air Force and Navy DTS program officials stated that they did not anticipate a reduction in the number of personnel, but rather the shifting of staff from the travel function to other functions.
- The Naval Cost Analysis Division stated that the Navy will not realize any tangible personnel cost savings from the implementation of DTS.

In regard to the CTO fees, the economic analysis assumed that 70 percent of all DTS airline tickets would either require no intervention or minimal intervention from the CTOs, resulting in an estimated annual net savings of \$31 million. However, the sole support provided by the DTS program office was an article in a trade industry publication. The article was not based on information related to DTS, but rather on the experience of one private sector company. Furthermore, the economic analysis was not prepared in accordance with guidance prescribed by OMB and DOD.

- DOD guidance stated that the life-cycle cost estimates should be verified by an independent party, but this did not occur.
- The economic analysis did not undertake an assessment of the effects of the uncertainty inherent in the estimates of benefits and costs. Because an economic analysis uses estimates and assumptions, it is critical that the imprecision in both the underlying data and assumptions be understood. Such an assessment is referred to as a sensitivity analysis.

DOD acknowledged that DTS is not being used to the fullest extent possible, but lacks comprehensive data to effectively monitor its utilization. DOD's utilization data are based on a model that was developed in calendar year 2003. However, the model has not been completely updated to reflect actual DTS usage. The lack of accurate utilization data hinders management's ability to monitor progress toward the DOD vision of DTS as the standard travel system. GAO also found that the military services have initiated actions that are aimed at increasing the utilization of DTS.

Finally, GAO found that DTS still has not addressed the underlying problems associated with weak requirements management and system testing. While DOD has acted to address concerns GAO previously raised, GAO found that DTS's requirements are still ambiguous and conflicting. For example, DTS displaying up to 25 flights for each inquiry is questionable because it is unclear whether this is a valid requirement. Until DOD improves DTS's requirements management practices, the department will not have reasonable assurance that DTS can provide the intended functionality.

United States Government Accountability Office

Mr. Chairman and Members of the Subcommittee:

Thank you for the opportunity to discuss our recent report¹ related to problems encountered by the Department of Defense (DOD) in its efforts to successfully implement the Defense Travel System (DTS). As you know, DOD envisions DTS as the department's standard end-to-end travel system.² The department estimates that DTS will be fully deployed at all 11,000 intended locations during fiscal year 2007.³ The September 2003 economic analysis noted that DTS, when fully implemented, would result in annual net savings of over \$56 million. The economic analysis noted that savings would be realized by the department during fiscal years 2009–2016. In December 2003, the department's Chief Information Officer approved a DTS funding level of approximately \$564 million. Of this amount, the contract for the design, development, and deployment of DTS was for about \$264 million. The remaining costs are associated with areas such as the operation and maintenance of DTS, operation of the Program Management Office-Defense Travel System (PMO-DTS), the voucher payment process, and management and oversight of the numerous contracted commercial travel offices (CTO).

My testimony today is based on our September 2006 report,⁴ which followed up on our September 2005 testimony and January 2006 report.⁵ One of the major findings in our previous work was that DOD did not have

¹GAO, *Defense Travel System: Reported Savings Questionable and Implementation Challenges Remain*, GAO-06-980 (Washington, D.C.: Sept. 26, 2006).

²DOD expects DTS to perform all functions related to travel or ensure that other systems are provided with adequate information to provide this functionality. For example, obligating funds associated with travel is a necessary function, and DTS is expected to (1) make sure that adequate funds are available before authorizing travel either through information contained in its system or by obtaining the necessary information from another system, (2) obligate funds through issuance of approved travel orders, and (3) provide DOD's financial management systems with the necessary information so that those systems can record the obligation. Since DTS is required to ensure that all travel-related functionality is properly performed, DOD commonly refers to DTS as an "end-to-end travel system."

³As of September 2005, the department had estimated that DTS would be fully deployed during fiscal year 2006.

⁴GAO-06-980.

⁵GAO, *DOD Business Transformation: Defense Travel System Continues to Face Implementation Challenges*, GAO-06-18 (Washington, D.C.: Jan. 18, 2006), and *DOD Business Transformation: Preliminary Observations on the Defense Travel System*, GAO-05-998T (Washington, D.C.: Sept. 29, 2005).

reasonable assurance that flight information was properly displayed for DOD travelers because the department failed to properly test the system interfaces through which the data are accessed for display. We further noted that the continued use of the existing legacy travel systems at locations where DTS has been deployed results in underutilization of DTS and reduces the envisioned savings.

Today, I will highlight three key findings from our September 2006 report:

- Two key assumptions related to the estimated cost savings in the September 2003 DTS economic analysis were not reasonable. DOD strongly objected to this finding, and I will discuss why we continue to believe that our finding is accurate.
- The department did not have quantitative metrics to measure the extent to which DTS is actually being used.
- DOD still has not addressed several functional problems associated with weak requirements management and system testing.

Finally, I will discuss our recommendations to improve the department's management and oversight of DTS.

Our work focused on the validity of the assumptions that were the principal drivers of DOD's net annual estimated savings of over \$56 million. We determined that the data were sufficiently reliable for this purpose. We did not review the accuracy and reliability of the specific dollar amounts shown in the September 2003 economic analysis. To address our objectives we also (1) reviewed the September 2003 economic analysis and met with cognizant officials, (2) analyzed DTS utilization data and obtained an overview of the method and data used by DTS program officials to report the rate of DTS utilization for the various DOD components, and (3) analyzed DTS flight information. Our work was performed from October 2005 through July 2006 in accordance with U.S. generally accepted government auditing standards. Further details on our scope and methodology are included in our September 2006 report.⁶

⁶GAO-06-980.

Summary

Our analysis of the September 2003 DTS economic analysis found that two key assumptions used to estimate cost savings were not based on reliable information. Two primary areas represented the majority of the over \$56 million of estimated annual net savings DTS was expected to realize—personnel savings of \$24.2 million and reduced CTO fees of \$31 million. The \$24.2 million estimated annual personnel savings were attributed to the Air Force and Navy.⁷ However, Air Force and Navy DTS officials stated that they did not anticipate a reduction in the number of personnel with the full implementation of DTS, but rather the shifting of staff to other functions. Further, the Naval Cost Analysis Division has stated that the Navy will not realize any tangible personnel cost savings from the implementation of DTS. In written comments on a draft of our report, the Under Secretary of Defense (Personnel and Readiness), strongly objected to our finding that the estimated personnel savings are unrealistic and stated that recognizing fiscal constraints, the department continues to identify efficiencies and eliminate redundancies to help leverage available funds. As noted in our report, DOD officials responsible for reviewing economic analyses stated that while shifting personnel to other functions is considered a benefit, it should be considered an intangible benefit rather than tangible dollar savings since the shifting of personnel does not result in a reduction of DOD expenditures. Because none of the military services could validate an actual reduction in the number of personnel as a result of DTS implementation, and DOD's comments did not include any additional support or documentation for its position, we continue to believe that the estimated annual personnel savings of \$54.1 million are unrealistic.

In regard to the estimated annual savings of \$31 million attributed to lower CTO fees, we requested, but the PMO-DTS could not provide, any analysis of travel data to support the assumption that 70 percent of all airline tickets would be considered "no touch"—meaning that there would be no or minimal intervention by the CTO, thereby resulting in lower CTO fees. We found that the 70 percent assumption was based solely upon an article that appeared in a travel industry trade publication. Further, the economic analysis assumed that the Navy would save about \$7.5 million, almost 25 percent, of the total savings related to CTO fees once DTS is fully deployed. Again, this figure was based on a reduction in the fees the Navy would pay for "no touch" transactions. However, the Navy paid a flat

⁷The economic analysis identified annual savings of \$11.3 million and \$12.9 million for the Air Force and Navy, respectively.

management fee that was the same regardless of the involvement of the CTO—therefore, the reduced “no touch” fee would not apply.

In addition, the economic analysis was not prepared in accordance with guidance prescribed by the Office of Management and Budget (OMB) and DOD. Both sets of guidance require that an economic analysis be based on facts and data and be explicit about the underlying assumptions used to arrive at future benefits and costs. DOD guidance also states that life-cycle cost estimates should be independently validated. An independent review is intended, in part, to provide program management some degree of assurance that the life-cycle cost estimates are reasonable and the cost estimates are built on realistic program assumptions. However, an independent validation was not performed.

Our analysis also found that the department did not have quantitative metrics to measure the extent to which DTS is actually being used. The reported DTS utilization rates were based on a methodology that was developed using estimated data, and PMO-DTS program officials acknowledged that the model had not been completely updated with actual data as DTS continued to be implemented at the 11,000 sites. As a result, the PMO-DTS continues to rely on outdated information in calculating DTS utilization rates that are reported to DOD management and the Congress. Additionally, while the military services have initiated actions to help increase the utilization of DTS, they pointed out that ineffective DTS training is a contributing factor to the lower than expected usage rate by the military services.

Finally, DOD still has not addressed several functional problems associated with weak requirements management and system testing. Requirements represent the blueprint that system developers and program managers use to design, develop, test, and implement a system. Because requirements provide the foundation for system testing, they must be complete, clear, and well documented to design and implement an effective testing program. Adequately defined and tested requirements are one of the key elements to help reduce a project's risks to acceptable levels.⁸ Our February 2006 analysis disclosed that DOD still did not have

⁸Acceptable levels refer to the fact that any systems acquisition effort will have risks and will suffer the adverse consequences associated with defects in the processes. However, effective implementation of disciplined processes, which includes project planning and management, requirements management, risk management, quality assurance, and testing, reduces the possibility of the potential risks actually occurring and prevents significant defects from materially affecting the cost, timeliness, and performance of the project.

reasonable assurance that the flight information was being properly displayed to DOD travelers. We identified 246 unique GSA city pair flights that should have been identified on one or more DTS flight displays according to the DOD requirements. However, 87 of these flights did not appear on one or more of the required listings. While the PMO-DTS has taken action to address our concerns, these actions do not fully address the fundamental problems we found during this audit and on which we have previously reported.⁸ For example, the DTS requirements we reviewed were still ambiguous and conflicting.

Our September 2006 report includes four recommendations to the Secretary of Defense aimed at improving the department's management and oversight of DTS. We recommended that the Secretary of Defense (1) evaluate the cost effectiveness of the Navy continuing with the CTO management fee structure, (2) update the DTS Voucher Analysis Model to report DTS actual utilization rates, (3) require the PMO-DTS to provide periodic reports on the utilization of DTS, and (4) resolve inconsistencies in DTS requirements. DOD generally agreed with the recommendations and described its efforts to address them.

**Validity of DTS
Economic Analysis
Questionable**

In September 2003, DOD finalized its economic analysis for DTS in preparation for a milestone decision review.¹⁰ The highlights of the economic analysis are shown in table 1. In December 2003, the DOD Chief Information Officer granted approval for DTS to proceed with full implementation throughout the department.

⁸GAO-05-998T and GAO-06-18.

¹⁰The September 2003 economic analysis is an addendum to the July 2003 DTS economic analysis.

Table 1: Summary of DTS Estimated Annual Net Savings Reported in the September 2003 Economic Analysis

Cost components	Estimated annual net savings
Records management	\$19.8
Centrally billed accounts	1.7
CTO acquisition and administration	2.4
CTO services	31.0
Voucher process and compute	54.1
Voucher pay	0
Legacy systems	14.5
PMO	(8.8)
Help desk/DTA	(36.8)
System operations	(21.5)
Total net savings	\$56.4

Source: September 2003 economic analysis provided by the PMO-DTS.

Note: In arriving at the estimated annual net savings of over \$56 million, the economic analysis took into consideration the estimated costs of over \$2.1 billion, which covers fiscal years 2003-2016. The estimated costs included the costs that are estimated to be incurred by the PMO-DTS, the Army, the Navy, the Air Force, and the defense agencies.

Our analysis of the September 2003 DTS economic analysis found that two key assumptions used to estimate cost savings were not based on reliable information. Consequently, the economic analysis did not serve to help ensure that the funds invested in DTS were used in an efficient and effective manner. Two primary areas—personnel savings and reduced CTO fees—represented the majority of the over \$56 million of estimated annual net savings DTS was expected to realize. However, the estimates used to generate these savings were unreliable. Further, DOD did not effectively implement the policies relating to developing economic analyses for programs such as DTS. Effective implementation of these policies should have highlighted the problems that we found and allowed for appropriate adjustments so that the economic analysis could have served as a useful management tool in making funding decisions related to DTS—which is the primary purpose of this analysis. While the department's system acquisition criteria do not require that a new economic analysis be prepared, the department's business system investment management structure provides an opportunity for DOD management to assess whether DTS is meeting its planned cost, schedule, and functionality goals.

Personnel Savings Are Unrealistic The economic analysis estimated that the annual personnel savings was over \$54 million,¹¹ as shown in table 2.

Table 2: Summary of Estimated Annual Personnel Savings

DOD component	Estimated annual savings
Army	\$16.0
Navy	12.9
Air Force	11.3
Marine Corps	5.8
Defense agencies	6.3
Permanent change of station	1.8
Total savings	\$54.1

Source: September 2003 economic analysis provided by the PMO-DTS.

As shown in table 2, approximately 46 percent of the estimated savings, or \$24.2 million, was attributable to the Air Force and Navy. The assumption behind the personnel savings computation was that there would be less manual intervention in the processing of travel vouchers for payment, and therefore fewer staff would be needed. However, based on our discussions with Air Force and Navy DTS program officials, it is questionable as to how the estimated savings will be achieved. Air Force and Navy DTS program officials stated that they did not anticipate a reduction in the number of personnel with the full implementation of DTS, but rather the shifting of staff to other functions. According to DOD officials responsible for reviewing economic analyses, while shifting personnel to other functions is considered a benefit, it should be considered an intangible benefit rather than tangible dollar savings since the shifting of personnel does not result in a reduction of DOD expenditures. Also, as part of the Navy's overall evaluation of the economic analysis, program officials stated that "the Navy has not identified, and conceivably will not recommend, any personnel billets for reduction." Finally, the Naval Cost Analysis Division (NCAD) October 2003 report on the economic analysis noted that it could not validate approximately 40 percent of the Navy's total costs, including personnel costs, in the DTS life-cycle cost estimates because credible supporting documentation was lacking. The report also

¹¹During fiscal years 2009 through 2016.

noted that the PMO-DTS used unsound methodologies in preparing the DTS economic analysis.

The extent of personnel savings for the Army and defense agencies, which are reported as \$16 million and \$6.3 million respectively, is also unclear. The Army and many defense agencies use the Defense Finance and Accounting Service (DFAS) to process their travel vouchers, so the personnel savings for the Army and the defense agencies were primarily related to reductions in DFAS's costs. In discussions with DFAS officials, they were unable to estimate the actual personnel savings that would result since they did not know (1) the number of personnel, like those at the Air Force and Navy, that would simply be transferred to other DFAS functions or (2) the number of personnel that could be used to avoid additional hiring. For example, DFAS expects that some of the individuals assigned to support the travel function could be moved to support its ePayroll program. Since these positions would need to be filled regardless of whether the travel function is reduced, transferring personnel from travel to ePayroll would reduce DOD's overall costs since DFAS would not have to hire additional individuals.

DOD strongly objected to our finding that the personnel savings are unrealistic. In its written comments, the department stated that it is facing an enormous challenge and continues to identify efficiencies and eliminate redundancies to help leverage available funds. We fully recognize that the department is attempting to improve the efficiency and effectiveness of its business operations. The Comptroller General of the United States testified in August 2006 that increased commitment by the department to address DOD's numerous challenges represents an improvement over past efforts.¹²

The fact remains, however, that the results of an economic analysis are intended to help management decide if future investments in a given endeavor are worthwhile. In order to provide management with this information, it is imperative that the underlying assumptions in an economic analysis be supported by valid assumptions. The September 2003 economic analysis noted that personnel savings of \$54.1 million would be realized by the department annually for fiscal years 2009 through

¹²GAO, *Department of Defense: Sustained Leadership Is Critical to Effective Financial and Business Management Transformation*, GAO-06-1006T (Washington, D.C.: Aug. 3, 2006).

2016. However, based on our review and analysis of documentation and discussion with department personnel, we found that the underlying assumptions in support of the \$54.1 million were not valid, particularly in regard to the amounts estimated for the Navy and Air Force. For example, we agree with the statements of DOD officials who indicated that the shifting of personnel to other functions cannot be counted towards tangible dollar savings, since such actions do not result in a reduction of DOD expenditures. Moreover, the department did not provide any new data or related documentation in its comments that were counter to our finding. As a result of these factors, we continue to believe that the estimated annual personnel savings of \$54.1 million are unrealistic.

Savings Associated with Reduction of CTO Fees Are Unknown

According to the September 2003 economic analysis, DOD expected to realize annual net savings of \$31 million through reduced fees paid to the CTOs because the successful implementation of DTS would enable the majority of airline tickets to be acquired with either no or minimal intervention by the CTOs. These are commonly referred to as "no touch" transactions. However, DOD did not have a sufficient basis to estimate the number of transactions that would be considered "no touch" since the (1) estimated percentage of transactions that can be processed using the "no touch" was not supported and (2) analysis did not properly consider the effects of components that use management fees, rather than transaction fees, to compensate the CTOs for services provided. The weaknesses we identified with the estimating process raise serious questions as to whether DOD will realize substantial portions of the estimated annual net savings of \$31 million.

"No Touch" Transaction Volume Estimates Are Not Supported

DOD arrived at the \$31 million of annual savings in CTO fees by estimating that 70 percent of all DTS airline tickets would be considered "no touch" and then multiplying these tickets by the savings per ticket in CTO fees. However, a fundamental flaw in this analysis was that the 70 percent assumption had no solid basis. We requested, but the PMO-DTS could not provide, any analysis of travel data to support the assertion. Rather, the sole support provided by the PMO-DTS was an article in a travel industry trade publication.¹³ The article was not based on information related to DTS, but rather on the experience of one private sector company.

¹³American Express News Releases: American Express' Interactive Travel Update, (New York, N.Y.: Aug. 11, 2003), <http://corp.americanexpress.com/gcs/cards/us/n/pr/081303.aspx>.

The economic analysis assumed that DOD could save about \$13.50 per "no touch" ticket. Since that analysis, DOD has awarded one contract that specifically prices transactions using the same model as that envisioned by the economic analysis. This contract applies to the Defense Travel Region 6 travel area.¹⁴ During calendar year 2005, the difference in fees for "no touch" transactions and the transactions supported by the current process averaged between \$10 and \$12, depending on when the fees were incurred because the contract rates changed during 2005.¹⁵ In analyzing travel voucher data for Region 6 for calendar year 2005, we found that the reported "no touch" rate was, at best 47 percent—far less than the 70 percent envisioned in the economic analysis.

PMO-DTS program officials stated they are uncertain as to why the anticipated 70 percent "no touch" was not being achieved. According to PMO-DTS program officials, this could be attributed, in part, to the DOD traveler being uncomfortable with the system and with making reservations without using a CTO. Although this may be one reason, other factors may also affect the expected "no touch" fee. For example, we were informed that determining the airline availability and making the associated reservation can be accomplished, in most cases, rather easily. However, obtaining information related to hotels and rental cars and making the associated reservation can be more problematic because of the limitations in the data that DTS is able to obtain from its commercial sources. Accordingly, while a traveler may be able to make a "no touch" reservation for the airline portion of the trip, the individual may need to contact the CTO in order to make hotel or rental car reservations. When this occurs, rather than paying a "no touch" fee to the CTO, DOD ends up paying a higher fee, which eliminates the savings estimated in the economic analysis.

¹⁴Defense Travel Region 6 includes the Air Force and defense agencies in the states of Kentucky, Illinois, Indiana, Iowa, Michigan, Minnesota, Missouri, Nebraska, North Dakota, South Dakota, and Wisconsin. The contract also applies to Army activities in 8 of the 11 states (excluding Kentucky, Missouri, and Nebraska). As discussed later, the Navy uses a management fee contract, and is therefore not included in the Defense Travel Region 6 contract.

¹⁵According to DTS officials, these savings are consistent with the DTS contracts that have been awarded to small businesses. The average savings per "no touch" ticket under these contracts is about \$12.88. Because the contractors are paid these fees directly by the traveler, they are unable to determine the percentage of transactions that are actually paid using the "no touch" rate.

The economic analysis assumed that (1) DOD would be able to modify the existing CTO contracts to achieve a substantial reduction in fees paid to a CTO when DTS was fully implemented across the department and (2) all services would use the fee structure called for in the new CTO contracts. The first part of the assumption is supported by results of the CTO contract for DOD Region 6 travel. The fees for the DTS "no touch" transactions were at least \$10 less than if a CTO was involved in the transactions. However, to date, the department has experienced difficulty in awarding new contracts with the lower fee structure. On May 10, 2006, the department announced the cancellation of the solicitation for a new contract. According to the department, it decided that the solicitation needed to be rewritten based on feedback from travel industry representatives at a March 28, 2006, conference. The department acknowledged that the "DTS office realized its solicitation didn't reflect what travel agency services it actually needed."¹⁶ The department would not say how the solicitation would be refined, citing the sensitivity of the procurement process. The department also noted that the new solicitation would be released soon, but provided no specific date.

Navy Impact of CTO Management Fees Not Adequately Considered

The economic analysis assumed that the Navy would save about \$7.5 million, almost 25 percent, of the total savings related to CTO fees once DTS is fully deployed. The economic analysis averaged the CTO fees paid by the Army, the Air Force, and the Marine Corps—which amounted to about \$18.71 per transaction—to compute the savings in Navy CTO fees. Using these data, the assumption was made in the economic analysis that a fee of \$5.25 would be assessed for each ticket, resulting in an average savings of \$13.46 per ticket for the Navy (\$18.71 minus \$5.25).¹⁷ While this approach may be valid for the organizations that pay individual CTO fees, it may not be representative for organizations such as the Navy that pay a management fee. The management fee charged the Navy is the same regardless of the involvement of the CTO—therefore, the reduced "no touch" fee would not apply.

We were informed by Navy DTS program officials that they were considering continuing the use of management fees after DTS is fully implemented. According to Navy DTS program officials, they paid about \$14.5 million during fiscal year 2005 for CTO management fees, almost \$19

¹⁶"DOD Retracts Solicitation for Travel Agency Services," *FederalTimes.com* (May 16, 2006), <http://www.federaltimes.com/index.php?> (downloaded June 14, 2006).

¹⁷These savings translate to about 572,000 tickets annually.

<p>Effective Implementation of Existing Policies Should Have Identified Problems with the Economic Analysis</p>	<p>per ticket for approximately 762,700 tickets issued. Accordingly, even if the department arrives at a new CTO contract containing the new fee structure or fees similar to those of Region 6, the estimated savings related to CTO fees for the Navy will not be realized if the Navy continues to use the management fee concept.</p> <p>Effective implementation of DOD guidance would have detected the types of problems discussed above and resulted in an economic analysis that would have accomplished the stated objective of the process—to help ensure that the funds invested in DTS were used efficiently and effectively. DOD policy¹⁸ and OMB guidance¹⁹ require that an economic analysis be based on facts and data and be explicit about the underlying assumptions used to arrive at estimates of future benefits and costs. Since an economic analysis deals with costs and benefits occurring in the future, assumptions must be made to account for uncertainties. DOD policy recognizes this and provides a systematic approach to the problem of choosing the best method of allocating scarce resources to achieve a given objective.</p> <p>A sound economic analysis recognizes that there are alternative ways to meet a given objective and that each alternative requires certain resources and produces certain results. The purpose of the economic analysis is to give the decision maker insight into economic factors bearing on accomplishing the objectives. Therefore, it is important to identify factors, such as cost and performance risks and drivers, that can be used to establish and defend priorities and resource allocations. The DTS economic analysis did not comply with the DOD policy, and the weaknesses we found should have been detected had the DOD policy been effectively implemented. The PMO-DTS had adequate warning signs of the potential problems associated with not following the OMB and DOD guidance for developing an effective economic analysis. For example, as noted earlier, the Air Force and Navy provided comments when the economic analysis was being developed that the expected benefits being claimed were unrealistic. Just removing the benefits associated with personnel savings from the Air Force and Navy would have reduced the overall estimated program cost savings by almost 45 percent. This would have put increased pressure on the credibility of using a 70 percent "no touch" utilization rate.</p>
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¹⁸DOD Instruction 7041.3, *Economic Analysis for Decisionmaking*, November 7, 1995.

¹⁹Office of Management and Budget, Circular No. A-94, *Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs* (Revised Jan. 18, 2006).

Specific examples of failures to effectively implement the DOD policy on conducting economic analyses include the (1) DTS life-cycle cost estimates portion of the economic analysis was not independently validated as specified in DOD's guidance²⁰ and (2) September 2003 DTS economic analysis did not undertake an assessment of the effects of the uncertainty inherent in the estimates of benefits and costs, as required by DOD and OMB guidance.²¹ Because an economic analysis uses estimates and assumptions, it is critical that a sensitivity analysis²² be performed to understand the effects of the imprecision in both underlying data and modeling assumptions.

DTS Remains Underutilized by the Military Services

Our September 2005 testimony and January 2006 report²³ noted the challenge facing the department in attaining the anticipated DTS utilization. While DOD has acknowledged the underutilization, we found that, across DOD, the department does not have reasonable quantitative metrics to measure the extent to which DTS is actually being used. Presently, the reported DTS utilization is based on a DTS Voucher Analysis Model²⁴ that was developed in calendar year 2003 using estimated data, but over the years has not been completely updated with actual data. While the military services have initiated actions to help increase the utilization of DTS, they pointed out that ineffective DTS training is a contributing factor to the lower than expected usage rate by the military services.

²⁰Department of Defense Instruction 5000.2, *Operation of the Defense Acquisition System*, May 12, 2003.

²¹Department of Defense Instruction 7041.3, *Economic Analysis of Decisionmaking*, (Nov. 7, 1995), and Office of Management and Budget Revised Circular No. A-94, *Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs* (Oct. 29, 1992).

²²Sensitivity analysis refers to changing the value of a given variable in a model to gauge the effect of change on model results.

²³GAO-05-998T and GAO-06-18.

²⁴DOD developed a model in calendar year 2003 that compares the expected usage against the actual usage. The expected usage is obtained by using historical data, such as ticket counts, to determine the expected number of vouchers processed by a given location. For example, if a location had 1,000 vouchers as its expected number of vouchers per the model, but now processes 750 actual vouchers through DTS, then the PMO model considers that that location has achieved a 75 percent utilization rate. It then takes the individual computations for each DTS location and "rolls them up" to determine the total utilization for individual service performance on a monthly basis.

Metrics to Measure DTS Utilization Are Inadequate

The DTS Voucher Analysis Model was prepared in calendar year 2003 and based on airline ticket and voucher count data that were reported by the military services and defense agencies, but the data were not verified or validated. Furthermore, PMO-DTS officials acknowledged that the model has not been completely updated with actual data as DTS continues to be implemented at the 11,000 sites. We found that the Air Force is the only military service that submits monthly metrics to the PMO-DTS officials for their use in updating the DTS Voucher Analysis Model. Rather than reporting utilization based on individual site system utilization data, the PMO-DTS continues to rely on outdated information in the reporting of DTS utilization to DOD management and the Congress. We have previously reported²⁹ that best business practices indicate that a key factor of project management and oversight is the ability to effectively monitor and evaluate a project's actual performance against what was planned.

In order to perform this critical task, best business practices require the adoption of quantitative metrics to help measure the effectiveness of a business system implementation and to continually measure and monitor results, such as system utilization. This lack of accurate and pertinent utilization data hinders management's ability to monitor its progress toward the DOD vision of DTS as the standard travel system, as well as to provide consistent and accurate data to Congress. With the shift of the DTS program to the Business Transformation Agency (BTA),³⁰ which now makes DTS an enterprisewide endeavor, improved metrics and training are essential if DTS is to be DOD's standard, integrated, end-to-end travel system for business travel.

DTS's reported utilization rates for the period October 2005 through April 2006 averaged 53 percent for Army, 30 percent for Navy, and 39 percent for Air Force. Because the PMO-DTS was not able to identify the total number of travel vouchers that should have been processed through DTS

²⁹GAO, *Financial Management Systems: Additional Efforts Needed to Address Key Causes of Modernization Failures*, GAO-06-184 (Washington, D.C.: Mar. 15, 2006), and *Financial Management Systems: Lack of Disciplined Processes Puts Implementation of HHS' Financial System at Risk*, GAO-04-1008 (Washington, D.C.: Sept. 23, 2004).

³⁰In October 2005, DOD established BTA to advance DOD-wide business transformation efforts, particularly with regard to business systems modernization. BTA operates under the authority, direction, and control of the Under Secretary of Defense for Acquisition, Technology, and Logistics, who is the vice chair of the Defense Business Systems Management Committee—which serves as the highest ranking governing body for business systems modernization activities.

(total universe of travel vouchers), these utilization rates may be over- or understated. PMO-DTS program officials confirmed that the reported utilization data were not based on complete data because the department did not have comprehensive information to identify the universe or the total number of travel vouchers that should be processed through DTS. PMO-DTS program and DTS military service officials agreed that the actual DTS utilization rate should be calculated by comparing actual vouchers being processed in DTS to the total universe of vouchers that should be processed in DTS. The universe would exclude those travel vouchers that cannot be processed through DTS, such as those related to permanent change of station travel.

The Air Force was the only military service that attempted to obtain data on (1) the actual travel vouchers processed through DTS and (2) those travel vouchers that were eligible to be processed through DTS, but were not. These data were site-specific. For example, during the month of December 2005, the PMO-DTS reported that at Wright-Patterson Air Force Base, 2,880 travel vouchers were processed by DTS, and the Air Force reported that another 2,307 vouchers were processed through the legacy system—the Reserve Travel System (RTS). Of those processed through RTS, Air Force DTS program officials stated that 338 travel vouchers should have been processed through DTS. DTS Air Force program officials further stated that they submitted to the PMO-DTS the number of travel vouchers processed through RTS each month. These data are used by the PMO-DTS to update the DTS Voucher Analysis Model. However, neither the Air Force nor the PMO-DTS have verified the accuracy and reliability of the data. Therefore, the accuracy of the utilization rates reported for the Air Force by the PMO-DTS is not known.

Because Army and Navy DTS program officials did not have the information to identify the travel transactions that should have been processed through DTS, the Army and Navy did not have a basis for evaluating DTS utilization at their respective military locations and activities. Furthermore, Navy DTS program officials indicated that the utilization data that the PMO-DTS program officials reported for the Navy were not accurate. According to Navy DTS program officials, the Navy's primary source of utilization data was the monthly metrics reports provided by the PMO-DTS, but Navy DTS program officials questioned the accuracy of the Navy utilization reports provided by the PMO-DTS.

DOD Has Taken Steps to Improve DTS Utilization, but Further Action Is Needed	Although the military services have issued various memorandums aimed at increasing the utilization of DTS, the military service DTS program officials all pointed to ineffective training as a primary cause of DTS not being utilized to a far greater extent. The following examples highlight the concerns raised by the military service officials:
	<ul style="list-style-type: none">• Army DTS program officials emphasized that the DTS system is complex and the design presents usability challenges for users—especially for first-time or infrequent users. They added that a major concern is that there is no PMO-DTS training for existing DTS users as new functionality is added to DTS. These officials stated that the PMO-DTS does not do a good job of informing users about functionality changes made to the system. We inquired if the Help Desk was able to resolve the users' problems, and the Army DTS officials simply stated "no." The Army officials further pointed out that it would be beneficial if the PMO-DTS improved the electronic training on the DTS Web site and made the training documentation easier to understand. Also, improved training would help infrequent users adapt to system changes. The Army officials noted that without some of these improvements to resolve usability concerns, DTS will continue to be extremely frustrating and cumbersome for travelers.• Navy DTS program officials stated that DTS lacks adequate user/traveler training. The train-the-trainer concept of training system administrators who could then effectively train all their travelers has been largely unsuccessful. According to Navy officials, this has resulted in many travelers and users attempting to use DTS with no or insufficient training. The effect has frustrated users at each step of the travel process and has discouraged use of DTS.• Air Force officials stated that new DTS system releases are implemented with known problems, but the sites are not informed of the problems. Workarounds are not provided until after the sites begin encountering problems. Air Force DTS program officials stated that DTS releases did not appear to be well tested prior to implementation. Air Force officials also stated that there was insufficient training on new functionality. PMO-DTS and DTS contractor program officials believed that conference calls to discuss new functionality with the sites were acceptable training, but Air Force officials did not agree. The Air Force finance office was expected to fully comprehend the information received from those conference calls and provide training on the new functionality to users/approvers, but these officials stated that this was an unrealistic expectation.

	<p>As discussed in our September 2005 testimony and January 2006 report,²⁷ the unnecessary continued use of the legacy travel systems results in the inefficient use of funds because the department is paying to operate and maintain duplicative systems that perform the same function—travel.</p>
<p>Previously Reported DTS Requirements Management and Testing Deficiencies Have Not Been Resolved</p>	<p>Our September 2005 testimony and January 2006 report noted problems with DTS's ability to properly display flight information and traced those problems to inadequate requirements management and testing. DOD stated that it had addressed those deficiencies, and in February 2006, we again tested the system to determine whether the stated weaknesses had been addressed. We found that similar problems continue to exist. Once again, these problems can be traced to ineffective requirements management and testing processes. Properly defined requirements are a key element in systems that meet their cost, schedule, and performance goals since the requirements define the (1) functionality that is expected to be provided by the system and (2) quantitative measures by which to determine through testing whether that functionality is operating as expected.</p> <p>We briefed PMO-DTS officials on the results of our tests and in May 2006 the officials agreed that our continued concerns about the proper display of flight information were valid. PMO-DTS officials stated that the DTS technology refresh, which was to be completed in September 2006, should address some of our concerns. While these actions are a positive step forward, they do not address the fundamental problem that DTS's requirements are still ambiguous and conflicting—a primary cause of the previous problems. Until a viable requirements management process is developed and effectively implemented, the department (1) cannot develop an effective testing process and (2) will not have reasonable assurance the project risks have been reduced to acceptable levels.</p>
<p>Providing Complete Flight Information Has Been a Continuing Problem</p>	<p>In our earlier testimony and report,²⁸ we noted that DOD did not have reasonable assurance that the flights displayed met the stated DOD requirements. Although DOD stated in each case that our concerns had been addressed, subsequent tests found that the problems had not been corrected. Requirements represent the blueprint that system developers and program managers use to design, develop, and acquire a system.</p>

²⁷GAO-05-998T and GAO-06-18

²⁸GAO-05-998T and GAO-06-18.

Requirements should be consistent with one another, verifiable, and directly traceable²⁹ to higher-level business or functional requirements. It is critical that requirements be carefully defined and that they flow directly from the organization's concept of operations (how the organization's day-to-day operations are or will be carried out to meet mission needs). Improperly defined or incomplete requirements have been commonly identified as a cause of system failure and systems that do not meet their cost, schedule, or performance goals.

Requirements represent the foundation on which the system should be developed and implemented. As we have noted in previous reports,³⁰ because requirements provide the foundation for system testing, significant defects in the requirements management process preclude an entity from implementing a disciplined testing process. That is, requirements must be complete, clear, and well documented to design and implement an effective testing program. Absent this, an organization is taking a significant risk that its testing efforts will not detect significant defects until after the system is placed into production. Our February 2006 analysis of selected flight information disclosed that DOD still did not have reasonable assurance that DTS displayed flights in accordance with its stated requirements. We analyzed 15 U.S. General Services Administration (GSA) city pairs,³¹ which should have translated into 246 GSA city pair flights for the departure times selected. However, we identified 87 flights that did not appear on one or more of the required listings based on the DTS requirements. For instance, our analysis identified 44 flights

²⁹Traceability allows the user to follow the life of the requirement both forward and backward through these documents and from origin through implementation. Traceability is also critical to understanding the parentage, interconnections, and dependencies among the individual requirements. This information in turn is critical to understanding the impact when a requirement is changed or deleted.

³⁰See, for example, GAO-04-1008 and *Army Depot Maintenance: Ineffective Oversight of Depot Maintenance Operations and System Implementation Efforts*, GAO-05-441 (Washington, D.C.: June 30, 2005).

³¹GSA awards contracts to airlines to provide flight services between pairs of cities. This is commonly referred to as the GSA city pair program. Under this program (1) no advanced ticket purchases are required, (2) no minimum or maximum length of stay is required, (3) tickets are fully refundable and no charges are assessed for cancellations or changes, (4) seating is not capacity controlled (i.e., as long as there is a coach-class seat on the plane, the traveler may purchase it), (5) no blackout dates apply, (6) fare savings average 70 percent over regular walk-up fares, and (7) fares are priced on one-way routes permitting agencies to plan for multiple destinations. We selected the first 15 city pairs that were provided by DOD to GSA in support of a GSA study on accuracy of flight displays and fare information by DTS and the GSA eTravel providers.

appearing on other DTS listings or airline sites that did not appear on the 9:00 am DTS listing even though those flights (1) met the 12-hour flight window²⁹ and (2) were considered GSA city pair flights—two of the key DTS requirements the system was expected to meet.

After briefing PMO officials on the results of our analysis in February 2006, the PMO-DTS employed the services of a contractor to review DTS to determine the specific cause of the problems and recommend solutions. In a March 2006 briefing, the PMO-DTS acknowledged the existence of the problems, and identified two primary causes. First, part of the problem was attributed to the methodology used by DTS to obtain flights from the Global Distribution System (GDS). The PMO-DTS stated that DTS was programmed to obtain a "limited" amount of data from GDS in order to reduce the costs associated with accessing GDS. This helps to explain why flight queries we reviewed did not produce the expected results. To resolve this particular problem, the PMO-DTS proposed increasing the amount of data obtained from GDS. Second, the PMO-DTS acknowledged that the system testing performed by the contractor responsible for developing and operating DTS was inadequate and, therefore, there was no assurance that DTS would provide the data in conformance with the stated requirements. This weakness was not new, but rather reconfirms the concerns discussed in our September 2005 testimony and January 2006 report³⁰ related to the testing of DTS.

DOD's Planned Corrective Actions Will Not Address Fundamental Requirements Management Problems

While DOD's planned actions, including a recent technology upgrade, should address several of the specific weaknesses we identified related to flight displays, they fall short of addressing the fundamental problems that caused those weaknesses—inequate requirements management. DTS's requirements continue to be ambiguous. For example, DOD has retained a requirement to display 25 flights for each inquiry. However, it has not determined (1) whether the rationale for that requirement is valid and (2) under what conditions flights that are not part of the GSA city pair program should be displayed. For example, we found that several DTS

²⁹A flight window is the amount of time before and after a specified time and is used for determining the flights that should be displayed. DTS uses a 12-hour flight window for domestic flights and a 24-hour flight window for foreign flights. The system is also expected to display up to 25 flights for the flight window.

³⁰GAO-05-998T and GAO-06-18.

flights displayed to the user "overlap"³⁴ other flights. Properly validating the requirements would allow DOD to obtain reasonable assurance that its requirements properly define the functionality needed and the business rules necessary to properly implement that functionality. As previously noted, requirements that are unambiguous and consistent are fundamental to providing reasonable assurance that a system will provide the desired functionality. Until DOD improves DTS requirement management practices, it will not have this assurance.

Recommendations to Improve DTS Management and Oversight

Our recent report³⁵ included four recommendations to improve the department's management and oversight of DTS. We recommended that DOD (1) evaluate the cost effectiveness of the Navy continuing with the CTO management fee structure versus adopting the revised CTO fee structure, once the new contracts have been awarded, (2) develop a process by which the military services develop and use quantitative data from DTS and their individual legacy systems to clearly identify the total universe of DTS-eligible transactions on a monthly basis, (3) require the PMO-DTS to provide periodic reports on the utilization of DTS, once accurate data are available, and (4) resolve inconsistencies in DTS requirements by properly defining the functionality needed and business rules necessary to properly implement the needed functionality. DOD concurred with three and partially concurred with one of the recommendations. In regard to the recommendations with which the department concurred, it briefly outlined the actions it planned to take in addressing two of the three recommendations. For example, the department noted the difficulties in obtaining accurate utilization data from the existing legacy systems, but stated that the Office of the Under Secretary of Defense (Personnel and Readiness) and BTA will evaluate methods for reporting actual DTS utilization.

Additionally, DOD noted that the Defense Travel Management Office developed and implemented a requirements change management process

³⁴For example, DTS displayed a GSA city pair flight between Washington, D.C., and Atlanta, Georgia, that departed at 10:05 a.m. and arrived at 1:50 p.m. This flight "overlapped" two other GSA city pair direct flights that were available and required less travel time. One flight left at 10:05 a.m. and arrived at 12:02 p.m. while another left at 11:05 a.m. and arrived at 12:56 p.m. Furthermore, DTS displayed a non-GSA city pair flight that left at 9:20 a.m. and arrived at 1:05 p.m. This flight did not meet any of the acceptable criteria for not using a GSA city pair flight.

³⁵GAO-06-980.

on May 1, 2006. In commenting on the report, the department stated that this process is intended to define requirements and track the entire life cycle of the requirements development process. While we fully support the department's efforts to improve its management oversight of DTS's requirements, we continue to believe that the department needs to have in place a process that provides DOD reasonable assurance that (1) requirements are properly documented and (2) requirements are adequately tested as recommended in our January 2006 report.³⁶ This process should apply to all existing requirements as well as any new requirements. As discussed in this report, we reviewed in May 2006 some of the requirements that were to have followed the new requirements management process and found problems similar to those noted in our January 2006 report. Although we did not specifically review the new process, if it does not include an evaluation of existing requirements, the department may continue to experience problems similar to those we previously identified.

DOD partially concurred with our recommendation to evaluate the cost effectiveness of the Navy continuing with the CTO management fee structure. However, DOD's response indicated that the Defense Travel Management Office is currently procuring commercial travel services for DOD worldwide in a manner that will ensure evaluation of cost effectiveness for all services. If DOD proceeds with the actions outlined in its comments, it will meet the intent of our recommendation.

Effective implementation of these recommendations as well as those included in our January 2006 report³⁷ will go a long way towards improving DTS functionality and increasing utilization. Furthermore, the shift of DTS to the BTA, which makes DTS an enterprise-wide endeavor, should help in making DTS the standard integrated, end-to-end travel system for business travel. Management oversight is essential for this to become a reality. As I stated previously, in written comments on a draft of our report, the Under Secretary of Defense (Personnel and Readiness), strongly objected to our finding that the estimated personnel savings included in the economic analysis are unrealistic. Because none of the military services could validate an actual reduction in the number of personnel as a result of DTS implementation, and DOD's comments did not include any additional support or documentation for its position, we continue to believe that the

³⁶GAO-06-18.

³⁷GAO-06-18.

estimated annual personnel savings of \$54.1 million are unrealistic. Although the department's criteria do not require that a new economic analysis be prepared, the fiscal year 2005 defense authorization act⁸ requires the periodic review, but not less than annually, of every defense business system investment. If effectively implemented, this annual review process provides an excellent opportunity for DOD management to assess whether DTS is meeting its planned cost, schedule, and functionality goals. Going forward, such a review could serve as a useful management tool in making funding and other management decisions related to DTS.

In conclusion, overhauling the department's antiquated travel management practices and systems has been a daunting challenge for DOD. While it was widely recognized that this was a task that needed to be accomplished and savings could result, the underlying assumptions in support of those savings are not based on reliable data and therefore it is questionable whether the anticipated savings will materialize. Even though the overall savings are questionable, the successful implementation of DTS is critical to reducing the number of stovepiped, duplicative travel systems throughout the department. We have reported on numerous occasions that reducing the number of business systems within DOD can translate into savings that can be used for other mission needs. As noted above, management oversight will be an important factor in DTS achieving its intended goals. Equally important, however, will be the department's ability to resolve the long-standing difficulties that DTS has encountered with its requirements management and system testing. Until these issues are resolved, more complete utilization of DTS will be problematic.

Mr. Chairman, this concludes my prepared statement. We would be happy to answer any questions that you or other members of the Subcommittee may have at this time.

Contacts and Acknowledgments

For further information about this testimony, please contact McCoy Williams at (202) 512-9095 or williamsms1@gao.gov, or Keith A. Rhodes at (202) 512-6412 or rhodesk@gao.gov.

⁸Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005, Pub. L. No. 108-375, § 332, 118 Stat. 1811, 1851-56 (Oct. 28, 2004) (codified, in part, at 10 U.S.C. §§ 186, 2222).

Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. In addition to the above contacts, the following individuals made key contributions to this testimony: Darby Smith, Assistant Director; J. Christopher Martin, Senior Level Technologist; F. Abe Dymond, Assistant General Counsel; Beatrice Alff; Harold Brumun, Jr.; Francine DelVecchio; and Tarunkant Mithani.

**Prepared Statement
of
The Honorable David S. C. Chu
Under Secretary of Defense (Personnel and Readiness)
Before the
Senate Permanent Subcommittee on Investigations**

November 16, 2006

Not for publication until released by the subcommittee

Mr. Chairman and members of this distinguished Subcommittee, thank you for inviting me to testify today.

Just over a year ago, I advised this subcommittee that Personnel & Readiness would assume a significant new role in providing management and oversight for the Defense Travel System (DTS). This past February, the Defense Travel Management Office (DTMO) was established to consolidate and improve commercial travel oversight and management within the Department of Defense. The DTMO has overall responsibility for commercial travel within the Department and is a “single face” for commercial travel both within the department and to industry, ensuring consistency in the Department’s focus, policy, and execution. Commercial travel functions are being transferred to the DTMO in a phased approach, with transfer expected to be complete by the end of fiscal year 2007.

Personnel & Readiness serves as a champion, through the DTMO, to provide a simple, responsive process for travelers, effective assistance for users, and the best value for both travelers and the government. Before the DTMO was established, commercial travel management within the Department consisted of a number of disparate, stove-piped programs that were not focused on common goals or objectives. Policy for temporary duty travel (TDY), for instance, emanated from three different Department of Defense (DoD) staff agencies. Policy formulation and implementation were often overly complex and inconsistent, there was little focus on training and education, and we lacked a customer service orientation. In short, commercial travel within the Department, including DTS, is under new management.

The DTMO provides one authoritative, responsible agency for commercial travel within the Department, and is charged with central oversight for commercial travel management. We aim at a decreased number of commercial travel office contracts worldwide and an integrated travel management approach. The DTMO provides oversight for commercial travel policy, travel guidance and procedures, the government travel card program, and customer support and training. We have engaged in a thorough review of the travel card program, and are actively pursuing the best methods and venues for providing training on travel policies and procedures as well as use of the Defense Travel System. We look forward to conducting a thorough review of travel policy during calendar year 2007.

During this past year, the DTMO has made major strides toward creating collaborative partnerships through which personnel across the Department work together to achieve shared goals. These partnerships include not only personnel from among the Department’s Services and Agencies, but also include other federal agencies as well as vendors from the commercial travel industry. The creation of a Department travel entity gives us the ability to more closely partner and build relationships with industry.

The DTMO also provides functional oversight for the Defense Travel System (DTS). The Department’s obligation for travel extends beyond low fares and web-based systems. DTS is a fully integrated, electronic financial management system specifically tailored to meet a unique DOD mission, and designated to provide security and financial system requirements for temporary duty (TDY) travel while remaining within the guidelines of Federal and DOD travel policies and regulations. It is an end-to-end solution that allows travelers to create authorizations

(travel orders), prepare all travel reservations, receive approval, generate a travel voucher, and receive approval and direct deposit payment to themselves and the government charge card vendor, all via a single web portal that is available 24 hours every day, seven days a week. DTS provides for electronic archival of all travel documents, protects system access utilizing DoD Public Key Infrastructure (PKI), and ensures a legally binding digital signature capability. It should enhance quality of the travel experience by saving time and effort required to arrange, execute, and receive timely reimbursement for travel in support of the Department's mission. Congressionally mandated requirements and both federal and DoD travel policies are embedded in DTS, helping the traveler and providing the government with the capability to monitor expenditure of travel dollars.

While the Department has made great strides toward consistent enforcement of policy, speedy reimbursement of travelers, accurate tracking of business travel dollars, and automating financial processes through DTS, the system remains imperfect. We are well aware of both the Government Accountability Office (GAO) and DoD Inspector General reports that note, among their key findings, shortfalls in requirements management, inability to document projected savings, low usage rates, and lack of a Department-wide travel management strategy. I am not here today to refute these findings or defend the system's past.

I do, however want to take issue with one July 2006 DTS GAO finding that "personnel savings are unrealistic." I strongly object to this finding. GAO's conclusion is based on the fact that DTS savings did not necessarily reduce the number of Defense personnel. Savings were applied to compelling, unfunded needs within the Department. We are facing an enormous challenge and must successfully prosecute today's war by expanding capabilities in areas of need/necessity. Recognizing fiscal constraints, the Department continues to identify efficiencies and eliminate redundancies to help leverage available funds. This GAO finding, if accepted, would disincentivize the very institutional behavior we should all actively promote.

Regarding DTS itself, I wish to communicate two key points. First, the Department has, through formation of the Defense Travel Management Office earlier this year, begun to address the DTS shortfalls noted above. For example, to effectively oversee requirements management, the Defense Travel Management Office implemented a change management process to define and track existing and new Defense Travel System (DTS) requirements throughout the life cycle; it includes a follow-on impact study of released functionalities. The process, managed by the DTMO in collaboration with the Business Transformation Agency (BTA), also provides a good example of partnering within the Department through two governance boards designed to set and implement the vision for commercial travel. The executive level Defense Travel Steering Committee (DTSC) and the Colonel/GS15 level Defense Travel Improvement Board (DTIB) both address potential changes to policy, procedure and system requirements related to commercial travel. Co-chaired by Personnel and Readiness and the BTA, they are charged with managing "commercial writ large" as well as the requirements for DTS. These boards provide the Services and Defense Agencies with a forum for articulating their travel needs, and help with coordination and collaboration between the Services and the Department.

Second, the Department welcomes the opportunity to study the system as directed by Section 943 of the 2007 National Defense Authorization Act (NDAA). We intend to comply

with this statutory requirement by contracting with an independent entity, such as a Federally Funded Research and Development Center (FFRDC), or an equally well-respected commercial firm. The study will address the feasibility of separating the financial infrastructure of the Defense Travel System from the travel reservation process. Further, it will examine converting the travel reservation process to a fee-for-services system, or authorizing the use of multiple travel reservation processes, both of which would use the financial infrastructure of the Defense Travel System. Additionally, it will address the feasibility of making use of the financial infrastructure of the Defense Travel System mandatory for all Department of Defense travel transactions. The study will also address efforts we have already undertaken to develop firm, fixed requirements for DTS and to determine a phase out plan for legacy travel systems made redundant by DTS. We plan for the study to begin in early December 2006, with delivery of findings to Congress in mid-April 2007, followed by delivery of the implementation report in June 2007. We look forward to the study results, and the course for the future they may determine.

In the meantime, we will continue operations to provide current services for DTS. We will do that through software releases that will fix previously identified problems and adjust existing functionality. For example, we plan to implement improved enforcement of both the Fly America Act and the GSA City Pairs, and provide a friendlier user interface. We will also replace dated code with a modern programming language. This will result in more efficient and less costly system maintenance, position the system to interoperate more fully with evolving external travel systems, and ensure a fair environment for broadening the pool of potential commercial businesses to compete for contracts.

Mr. Chairman, I want to thank you and members of this Subcommittee for the opportunity to appear before you today. Establishing the Defense Travel Management Office is a smart business approach. It ensures consistency and integration of focus, policy, and implementation across the Department and in dealing with industry. The DTMO dedicates organizational energy and commitment to sponsoring and executing change, as well as monitoring compliance. We have begun a new era of travel oversight and management within the Department.

Thank you for your interest and support.



August 11, 2005

VIA U.S. MAIL & FACSIMILE (703/693-5530)

The Honorable Donald H. Rumsfeld
Secretary of Defense
Department of Defense
Office of the Secretary
The Pentagon
Washington, DC 20301-1155

Dear Secretary Rumsfeld:

Pursuant to its authority under Senate Resolution 50, 109th Congress, Section 11(e), the United States Senate Permanent Subcommittee on Investigations (the "Subcommittee") has been conducting an investigation into the travel policies and practices of the Department of Defense (DOD). As you know, DOD is implementing the Defense Travel System (DTS) at a cost of over \$400 million purportedly to reduce travel costs. However, it has come to my attention that the system has not been subject to a cost/benefit analysis and may actually have caused travel costs to increase. Before any further taxpayer dollars are potentially wasted on a travel system that may cost more than it saves, it is imperative that DOD cease any further implementation of DTS until a full, complete and independent cost/benefit analysis is performed.

As you know, on November 6, 2003, I held a hearing titled "DOD's Improper Use of First and Business Class Travel." The Subcommittee received testimony that in fiscal years 2001 and 2002 DOD spent about \$124 million on first and business class airline tickets. Almost seventy-five percent of that travel was not properly authorized or justified which resulted in tens of millions of taxpayer dollars being wasted. I also requested the Government Accountability Office (GAO) review of DOD's failure to reclaim the costs of over \$22 million in unused airline tickets. A hearing on that matter was held before the Committee on Governmental Affairs on June 9, 2004.

I am now concerned that DTS, which has cost almost \$400 million to date, is not delivering on the promised cost savings that were used to justify the implementation of the system. In fact, the low rate of DTS utilization, combined with the cost differential between an automated travel transaction and traditional travel services may actually be increasing DOD's travel costs. However, I am most troubled at the DOD's inability to fully answer even basic questions about the implementation and utilization of DTS. Without a complete, thorough and independent evaluation of DTS, particularly with regard to cost savings, there can be no assurance that DTS can achieve the expected cost savings.

Permanent Subcommittee on Investigations
EXHIBIT #1

In 2002, the DOD Inspector General in part recommended that DOD determine whether DTS is "the most cost-effective solution to the travel process." Part of the response to this recommendation was to task the Director of the Program Analysis and Evaluation Division to conduct a study which would in part address cost savings generated by DTS. The unpublished study concluded, "Because there may be alternative solutions that are less expensive, PA&E cannot verify that DTS provides the most cost effective solution." Clearly, DOD's own auditors and management analysts question whether DTS is the most cost effective solution to DOD's travel needs.

According to DOD, the DTS utilization rate is extremely low at those locations where DTS has been fully implemented. Between August 30, 2002 and September 15, 2004, only 9,655 or three percent of the 288,348 travel transactions were conducted using DTS. Thus ninety-seven percent of the travel arrangements at sites that have implemented DTS were being made by using travel agents in commercial travel offices. This is clearly not the paperless, end-to-end system that DTS was supposed to be.

As part of the inquiry into DOD travel practices, the Subcommittee has requested on several occasions since November 2003 that DOD provide information on DTS that was principally related to its cost and performance. To date, the DOD responses have generally been either evasive or incomplete.

Following a November 6, 2003, hearing before the Subcommittee titled "DOD's Improper Use of First and Business Class Travel," I submitted Questions for the Record to DOD that included four questions related to DTS. For example, I asked, "When do you expect to have the Defense Travel System (DTS) fully implemented?" The response was: "All 11,000 sites are scheduled to be operational by the end of FY2006." The answer is unresponsive to the question because it does not address when you expect the system will be fully implemented. It states when it is scheduled to be operational without making clear that the schedule and the expectations actually coincide. To the DOD's credit, I received a responsive answer to my question about automated checks to prevent the misuse of travel cards, proving that DOD can provide full and complete information when it chooses to do so.

On July 7, 2004, I wrote to Mr. Larry Lanzillotta, the Acting Undersecretary of Defense and requested responses to ten questions related to DTS. On September 30, 2004, I received a response from Mr. Zack Gaddy. I found many of these responses to be inadequate. For example, I asked if the DTS Program Management Office (PMO) had complied with applicable laws and regulations in the contract modifications to the Northrup Grumman contract. Mr. Gaddy's response was, "The DTS PMO strongly believes it has complied with applicable procurement laws and regulations regarding modifications made to the Northrup Grumman contract." The answer omits any reference to the opinion and order of the United States Court of Federal Claims which on August 3 and 12, 2004 determined that specific contract modifications to the Northrup Grumman contract were not in conformance with laws and regulations. This opinion was published subsequent to my letter and over a month prior to DOD's response. This answer is misleading at best and at worst simply false.

Finally, on May 27, 2005, I wrote to you about my concerns that there were continuing reports from such organizations as the GAO, the Defense Finance and Accounting Service, and Citizens Against Government Waste that DTS is plagued with problems despite DOD's repeated assurances that the system has no problems. I asked that DOD answer an additional eight questions about DTS. On July 19, 2005, DOD responded to my request. While I find this response to be more forthcoming than your previous responses, it is still not fully responsive to my requests. For example in question 2, I requested specific documentation (i.e., "the studies and economic analysis that DOD's Program Analysis and Evaluation Office relied on in reversing its initial recommendation to discontinue the Northrup Grumman contract..."). These documents were not provided to me as part of your response. The response cited the "DTS Cost Effectiveness Review" and the "Defense Travel System (DTS) Rebuttal of The PA&E DTS Cost Effectiveness Review" and stated that these documents "were provided to the GAO audit team."

Further, in question 4, I again inquired about DTS' ability to find the lowest available and applicable airfare. In your September 30, 2004 response DOD assured me that "The DTS does not fail to find the lowest available airfare." In your July 19, 2005 response DOD amplified on its previous response by stating that "...the DTS automated self-booking tool displays GSA contracted city pair flights...followed by other types of fares." However, the General Services Administration (GSA) has received two reports from The Corporate Solutions Group that evaluate DTS and three other web-based government travel systems. The contractor's reports show that DTS performed more poorly than any of the other government web-based systems in displaying all available fares and flights. In fact according to the reports, only thirty-three percent of the available City Pair Program fares for the twenty-five most frequently traveled domestic routes were identified and displayed by DTS. The report shows that DTS not only fails to find the lowest available fare, it cannot find and display 67 percent of the City Pair Program fares negotiated by GSA. These reports were submitted to GSA on May 5, 2005 and it is my understanding that the results were shared with DOD. Since the DOD response was sent two months after GSA received these reports, I find the DOD response to be misleading as it omits material facts that were in the DOD's possession. As Chairman of the Subcommittee, I expect to receive responses that constitute the whole truth.

Although DOD has repeatedly assured me in its responses to my inquiries that DTS has no problems, I continue to receive reports that are critical of DTS. Before proceeding with further implementation, I believe it is absolutely essential that DOD undertake a full, complete and independent performance and cost/benefit evaluation to determine if DTS is producing the cost savings it was intended to achieve and whether it best serves the travel needs of DOD. Without such an objective assessment, taxpayer dollars may be expended to implement a travel system that does not generate the expected cost savings and may be more costly than other available alternatives. Based on the evidence received to date, I believe that DTS will actually increase DOD's travel costs as they relate to booking travel and lodging accommodations. As you know, I have tasked GAO and the DOD IG with conducting full and objective assessments of DTS. I have enclosed copies of those requests. I urge you to suspend any further implementation of DTS until the results of those evaluations are received and considered.

As part of our continuing inquiry into DOD's travel policies and practices, the Subcommittee is reviewing documents produced by a number of relevant parties. The Subcommittee requests that DOD provide the following documents and information related to DOD's travel policies and practices no later than Monday, August 22, 2005:

- 1) Initial Economic Analysis, DOD Travel Reengineering Project dated September 10, 1997,
- 2) The most recent report or information on the total number and percentage of traditional travel, DTS and DTS Touched utilization at each of the sites that have implemented DTS covering the period August 30, 2002 to the most recent available date. This may also be referred to as the transactions per booking method,
- 3) Any DTS cost benefit analysis performed since January 2003,
- 4) Any DOD cost analysis performed since January 2003 of the actual costs incurred by DOD for services related to making travel arrangements to include travel accommodations, lodging and rental vehicles,
- 5) Any rebuttal that was prepared by DOD to respond to the report published by Citizens Against Government Waste entitled, "*Defense Travel System: The Twilight Zone of Travel*," and
- 6) Any reports prepared on DTS pursuant to the requirements of the Results Act for fiscal years 2001 through 2005.

Since the July 19, 2005 response of DOD omitted documents I requested including the December 2003 PA&E report on DTS also referred to as the "*DTS Cost Effectiveness Review*" and the "*Defense Travel System (DTS) Rebuttal of the PA&E DTS Cost Effectiveness Review*," I request that DOD provide these documents immediately.

If you have any questions please feel free to contact me or have your staff contact Jay Jennings, Senior Investigator at (202) 224-3721. Due to new security procedures, it is necessary to make advance arrangement for the delivery of the documents through courier or messenger service. Enclosed you will find a sheet describing the procedures for delivering documents to the Subcommittee.

Thank you for your attention to this matter.

Sincerely,



Norm Coleman
Chairman
Permanent Subcommittee on Investigations



August 11, 2005

VIA U.S. MAIL & FACSIMILE (202/512-7919)

The Honorable David M. Walker
 Comptroller General of the United States
 U.S. Government Accountability Office
 441 G Street, NW
 Washington, D.C. 20548

Dear Mr. Walker:

After receiving several letters from members of Congress expressing concerns about the Defense Travel System (DTS), GAO determined that it would conduct a review of DTS under the Comptroller General's authority. In conformance with its Congressional Protocols, GAO staff met with congressional staff and obtained approval for the review's objectives. However, since that time information has emerged about DTS' potential inability to achieve the projected cost savings that were used to justify and implement the program. Specifically, according to DOD data there is an extremely low rate of DTS utilization at DOD locations where DTS has, according to DOD, been fully implemented. Because the originally projected cost savings were based on high DTS usage projections for making travel arrangements that are not being achieved, the projected savings may not be realized resulting in the needless expenditure of hundreds of millions of taxpayer dollars. To avoid this potential waste, I am requesting that GAO expand the scope of its ongoing work currently being conducted by Mr. McCoy Williams to address whether DOD (1) is achieving the originally projected cost savings in the late 1990s for making travel arrangements at those locations where DTS has, according to DOD, been fully implemented, and (2) has performed a full and comprehensive cost benefit analysis of DTS' performance. Based on discussions with GAO staff these objectives can be added to the ongoing review without compromising the review's current timeframes.

At the end of the current review there will still be a number of questions that remain unanswered about DTS. Therefore, I am requesting that GAO conduct a follow on review of DTS to address the following objectives:

- A 2002 DOD IG report stated that DTS costs had increased significantly. What are the current estimated program costs of DTS and how do these costs compare with (1) the costs reported by the IG and (2) the costs used in the economic analysis? Also, what are the reasons for any significant cost growth?

Permanent Subcommittee on Investigations
EXHIBIT #2

- When DOD performed its economic analysis of DTS in 1997, what were the principal areas that were expected to generate the savings and how do the current savings compare to the 1997 estimates? For example, DOD expected to reduce costs associated with Commercial Travel Office (CTO) operations, how much did DOD expect to save when it performed its economic analysis and have those savings been realized? If the amounts have significant differences, then please explain the reasons for the differences.
- Even if DTS can provide all the benefits and services expected, if it is not used, it will provide very little if any benefit to the taxpayer. What were the expected utilization rates that were used to project the expected cost savings? Furthermore, what are the actual utilization rates for fiscal years 2004 and 2005? If there is a significant difference between the estimated amounts and actual amounts, what are the reasons for these differences?
- We have heard numerous complaints that DTS does not always (1) display the lowest cost unrestricted airfare, or (2) display all flights associated with a given trip, or (3) display all City Pair Program flights in accordance with DOD policy. Does DOD have reasonable assurance that DTS displays all flight information in accordance with its policy? If yes, how was this assurance provided? If no, when will DOD have assurance and what actions should DOD have taken to obtain this assurance earlier in the DTS deployment?

If you have any questions about this request please feel free to contact me or have your staff contact Jay Jennings, Senior Investigator at 202/224-3721.

Sincerely,



Norm Coleman
Chairman
Permanent Subcommittee on Investigations



August 11, 2005

VIA U.S. MAIL & FACSIMILE (703/604-8325)

The Honorable Joseph E. Schmitz
 Inspector General
 Department of Defense
 400 Army Navy Drive, Suite 1000
 Arlington, VA 22202-4704

Dear Mr. Schmitz:

Pursuant to its authority under Senate Resolution 66, 108th Congress, Section 11(e), the United States Senate Permanent Subcommittee on Investigations (the "Subcommittee") has been conducting an investigation into the travel policies and practices of the Department of Defense (DOD).

I am concerned that the Defense Travel System (DTS), which has cost almost \$400 million to date, is not delivering on the promised cost savings that were used to justify the implementation of the system. In your 2002 report, *Acquisition: Allegations to the Defense Hotline on the Management of the Defense Travel System*, you recommended that DOD determine if DTS is "the most cost-effective solution to the travel process."

Part of the response by Assistant Secretary of Defense Comptroller's to this recommendation was to task the Director, Program Analysis and Evaluation (PA&E) to conduct a study which would in part address cost savings generated by DTS. The study concluded, "Because there may be alternative solutions that are less expensive, PA&E cannot verify that DTS provides the most cost effective solution." The question as to whether DTS is the most cost-effective solution still remains unanswered. I find it unconscionable that DOD would spend almost a half a billion taxpayer dollars on a travel system without any reliable assessment as to whether it will save taxpayer money and work as intended.

DOD has repeatedly assured me that DTS has no problems. However, I continue to receive reports that are critical of DTS' performance and costs. Therefore, I believe it is absolutely essential that you undertake a full, complete and independent performance and cost benefit evaluation of DTS to determine if it is the most cost-effective solution to DOD's travel needs. I ask that your evaluation make such recommendations as are necessary to ensure that DOD's travel system achieves the goals that justified the creation of DTS. Such an objective assessment will ensure that taxpayer dollars are not wasted and will ensure that DOD implements an effective, efficient and economical travel system that meets the travel needs of DOD.

<u>Permanent Subcommittee on Investigations</u>
EXHIBIT #3

I request that you issue a report on the DTS not later than February 15, 2006. I look forward to your response. If you have any questions please feel free to contact me or have your staff contact Jay Jennings, Senior Investigator at 202/224-3721.

Sincerely,



Norm Coleman
Chairman
Permanent Subcommittee on Investigations

September 2006

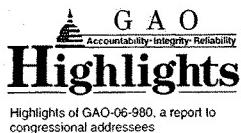
DEFENSE TRAVEL SYSTEM

Reported Savings
Questionable and
Implementation
Challenges Remain

GAO-06-980



Permanent Subcommittee on Investigations
EXHIBIT #4



Highlights of GAO-06-980, a report to congressional addressees

Why GAO Did This Study

In 1995, the Department of Defense (DOD) began an effort to implement a standard departmentwide travel system. The Defense Travel System (DTS) is envisioned as DOD's standard end-to-end travel system. This report is a follow-up to GAO's January 2006, report which highlighted DTS implementation problems. Because of continued congressional interest in DTS, GAO initiated this follow-up audit under the Comptroller General's statutory authority. GAO determined whether (1) two key assumptions made in the September 2003 economic analysis were reasonable, (2) DOD is taking action to ensure full utilization of DTS and gathering the data needed to monitor DTS utilization, and (3) DOD has resolved the previously identified problems with DTS flight information. To address the above objectives, GAO (1) reviewed the September 2003 DTS economic analysis, (2) analyzed DTS utilization data, and (3) analyzed DTS flight information.

What GAO Recommends

GAO is making four recommendations to DOD aimed at improving the management oversight of DTS including periodic reports on DTS utilization and resolution of inconsistencies in DTS's requirements. DOD generally agreed with the recommendations and described its efforts to address them. DOD also strongly objected to a finding that the reported personnel savings were unrealistic.

www.gao.gov/cgi-bin/getrf?GAO-06-980.
To view the full product, including the scope and methodology, click on the link above.
For more information, contact McCoy Williams at (202) 512-9095 or Keith Rhodes at (202) 512-6412.

September 2006

DEFENSE TRAVEL SYSTEM

Reported Savings Questionable and Implementation Challenges Remain

What GAO Found

GAO's analysis of the September 2003 DTS economic analysis found that the two key assumptions used to estimate annual net savings were not based on reliable information. Two cost components represent the majority of the over \$56 million in estimated net savings—personnel savings and reduced commercial travel office (CTO) fees. In regard to the personnel savings, GAO's analysis found that the \$24.2 million of personnel savings related to the Air Force and the Navy was not supported.

- Air Force and Navy DTS program officials stated that they did not anticipate a reduction in the number of personnel, but rather the shifting of staff from the travel function to other functions.
- The Naval Cost Analysis Division stated that the Navy will not realize any tangible personnel cost savings from the implementation of DTS.

In regard to the CTO fees, the economic analysis assumed that 70 percent of all DTS airline tickets would either require no intervention or minimal intervention from the CTOs, resulting in an estimated annual net savings of \$31 million. However, the sole support provided by the DTS program office was an article in a trade industry publication. The article was not based on information related to DTS, but rather on the experience of one private sector company. Furthermore, the economic analysis was not prepared in accordance with guidance prescribed by OMB and DOD.

- DOD guidance stated that the life-cycle cost estimates should be verified by an independent party, but this did not occur.
- The economic analysis did not undertake an assessment of the effects of the uncertainty inherent in the estimates of benefits and costs. Because an economic analysis uses estimates and assumptions, it is critical that the imprecision in both the underlying data and assumptions be understood. Such an assessment is referred to as a sensitivity analysis.

DOD acknowledged that DTS is not being used to the fullest extent possible, but lacks comprehensive data to effectively monitor its utilization. DOD's utilization data are based on a model that was developed in calendar year 2003. However, the model has not been completely updated to reflect actual DTS usage. The lack of accurate utilization data hinders management's ability to monitor progress toward the DOD vision of DTS as the standard travel system. GAO also found that the military services have initiated actions that are aimed at increasing the utilization of DTS.

Finally, GAO found that DTS still has not addressed the underlying problems associated with weak requirement management and system testing. While DOD has acted to address concerns GAO previously raised, GAO found that DTS's requirements are still ambiguous and conflicting. For example, DTS displaying up to 25 flights for each inquiry is questionable because it is unclear whether this is a valid requirement. Until DOD improves DTS's requirement management practices, the department will not have reasonable assurance that DTS can provide the intended functionality.

United States Government Accountability Office

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Abbreviations

BTA	Business Transformation Agency
CTO	commercial travel office
DFAS	Defense Finance and Accounting Service
DOD	Department of Defense
DTS	Defense Travel System
FTR	Federal Travel Regulation
GDS	Global Distribution System
GSA	General Services Administration
IOC	Initial Operating Capability
NCAD	Naval Cost Analysis Division
OMB	Office of Management and Budget
PMO-DTS	Program Management Office—Defense Travel System
RTS	Reserve Travel System
TDY	temporary duty

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United States Government Accountability Office
Washington, DC 20548

September 26, 2006

Congressional Addressees

In 1995, the Department of Defense (DOD) embarked upon the daunting challenge of implementing a standard, departmentwide travel system in response to a report by the DOD Task Force to Reengineer Travel.¹ The report pinpointed three principal causes for DOD's inefficient travel system: (1) travel policies and programs were focused on compliance with rigid rules rather than mission performance, (2) travel practices did not keep pace with travel management improvements implemented by industry, and (3) the various existing travel systems were not integrated. To address these concerns, DOD established the Program Management Office—Defense Travel System (PMO-DTS) to acquire travel services that would be used DOD-wide. The department launched this program with the goal of replacing existing travel systems with a single departmentwide system to more effectively support nonintegrated travel processes and procedures across its component organizations. The Defense Travel System (DTS) is envisioned as being the department's standard end-to-end travel system.²

The department estimates that DTS will be fully deployed at all 11,000 intended locations during fiscal year 2007.³ The September 2003 economic analysis noted that DTS, when fully implemented, would result in annual net savings of over \$56 million. The economic analysis noted that savings would be realized by the department during fiscal years 2009-2016. In

¹ Department of Defense, *Report of the Department of Defense Task Force to Reengineer Travel* (Arlington, Va.: January 1995).

² DOD expects DTS to perform all functions related to travel or ensure that other systems are provided with adequate information to provide this functionality. For example, obligating funds associated with travel is a necessary function, and DTS is expected to (1) make sure that adequate funds are available before authorizing travel either through information contained in its system or by obtaining the necessary information from another system, (2) obligate funds through issuance of approved travel orders, and (3) provide DOD's financial management systems with the necessary information so that those systems can record the obligation. Since DTS is required to ensure that all travel-related functionality is properly performed, DOD commonly refers to DTS as an "end-to-end travel system."

³ As of September 2005, the department had estimated that DTS would be fully deployed during fiscal year 2006.

December 2003, the department's Chief Information Officer approved a DTS funding level of approximately \$564 million. Of this amount, the contract for the design, development, and deployment of DTS was for about \$264 million. The remaining costs are associated with areas such as the operation and maintenance of DTS, operation of the PMO-DTS, the voucher payment process, and management and oversight of the numerous contracted commercial travel offices (CTO).

This report is a follow-up to our September 2005 testimony and January 2006 report in which we highlighted problems encountered by the department in its efforts to successfully implement DTS.⁴ One of our major findings was that DOD did not have reasonable assurance that flight information was properly displayed for DOD travelers because the department failed to properly test the system interfaces through which the data are accessed for display. We further noted that the continued use of the existing legacy travel systems at locations where DTS has been deployed results in underutilization of DTS and reduces the envisioned savings.

The objectives of this audit were to determine whether (1) two key assumptions related to the estimated cost savings in the September 2003 economic analysis were reasonable, (2) DOD is taking action to ensure full utilization of DTS and gathering the data needed to monitor DTS utilization, and (3) DOD has resolved the previously identified problems with properly displaying DTS flight information. To address the first objective, we obtained and reviewed the September 2003 economic analysis to (1) ascertain if the economic analysis was prepared in accordance with criteria prescribed by the Office of Management and Budget (OMB) and DOD; (2) analyze two key assumptions on which the majority of the estimated savings were predicated—personnel savings and reduced CTO fees; and (3) analyze the underlying supporting documentation related to these two assumptions. In addition, we interviewed PMO-DTS and military service officials to obtain an

⁴ GAO, *DOD Business Transformation: Defense Travel System Continues to Face Implementation Challenges*, GAO-06-18 (Washington, D.C.: Jan. 18, 2006), and *DOD Business Transformation: Preliminary Observations on the Defense Travel System*, GAO-05-998T (Washington, D.C.: Sept. 29, 2005).

understanding of the basis they used to compute the reported annual net savings of over \$56 million.⁵

To address the second objective, we obtained and analyzed DTS utilization data from the PMO-DTS. We also met with military service officials to obtain an understanding of the efforts they have underway to help ensure the full utilization of DTS. Further, we obtained from the military services an understanding of the data they used to monitor DTS utilization. Finally, to address the third objective, we analyzed 246 U.S. General Services Administration (GSA) city pair flights to determine if the information being displayed to the traveler was consistent with DTS's stated requirement. We also met with PMO-DTS and contractor officials.

Because of the continued widespread congressional interest in DTS, this assignment was performed at our initiative under the statutory authority provided to the Comptroller General of the United States. Our work focused on the validity of the assumptions that were the principal drivers of the net annual estimated savings of over \$56 million. We determined that the data were sufficiently reliable for this purpose. We did not review the accuracy and reliability of the specific dollar amounts shown in the September 2003 economic analysis. Our work was performed from October 2005 through July 2006 in accordance with U.S. generally accepted government auditing standards. Details on our scope and methodology are included in appendix I. We requested comments on a draft of this report from the Secretary of Defense or his designee. We received written comments from the Under Secretary of Defense (Personnel and Readiness), which are reprinted in appendix II.

Results in Brief

Our analysis of the September 2003 DTS economic analysis found that two key assumptions used to estimate cost savings were not based on reliable information. Two primary areas represented the majority of the over \$56 million of estimated annual net savings DTS was expected to realize—personnel savings of \$24.2 million and reduced CTO fees of \$31 million. The \$24.2 million estimated annual personnel savings were attributed to

⁵ The total estimated annual savings were \$123.5 million and the total estimated annual costs were \$67.1 million for a net annual savings of \$56.4 million. The annual net savings are in constant fiscal year 2003 dollars. The department estimated that savings would start in fiscal year 2009.

the Air Force and Navy.⁶ However, the Naval Cost Analysis Division has stated that the Navy will not realize any tangible personnel cost savings from the implementation of DTS. In regard to the estimated annual savings of \$31 million attributed to lower CTO fees, we requested, but the PMO-DTS could not provide, any analysis of travel data to support the assumption that 70 percent of all airline tickets would be considered "no touch"—meaning that there would be no or minimal intervention by the CTO, thereby resulting in lower CTO fees. We found that the 70 percent assumption was based solely upon an article that appeared in a travel industry trade publication.

In addition, the economic analysis was not prepared in accordance with guidance prescribed by OMB and DOD. Both sets of guidance require that an economic analysis be based on facts and data and be explicit about the underlying assumptions used to arrive at future benefits and costs. DOD guidance also states that life-cycle cost estimates should be independently validated. An independent review is intended, in part, to provide program management some degree of assurance that the life-cycle cost estimates are reasonable and the cost estimates are built on realistic program assumptions. However, an independent validation was not performed.

Based on these factors, the estimated annual net savings of over \$56 million included in the 2003 economic analysis is highly questionable. While the reliability of the economic analysis is questionable, the department's system acquisition criteria do not require that a new economic analysis be prepared because DTS has already completed all of the major milestones related to a major automated system. However, the department's business system investment management guidance stipulates that all business systems must be reviewed annually and provides an opportunity for DOD management to assess whether DTS is meeting its planned cost, schedule, and functionality goals.

Our analysis also found that the department did not have quantitative metrics to measure the extent to which DTS is actually being used. The reported DTS utilization rates were based on a methodology that was developed using estimated data, and PMO-DTS program officials acknowledged that the model had not been completely updated with actual data as DTS continued to be implemented at the 11,000 sites. As a

⁶ The economic analysis identified annual savings of \$11.3 million and \$12.9 million for the Air Force and Navy, respectively.

result, the PMO-DTS continues to rely on outdated information in calculating DTS utilization rates that are reported to DOD management and the Congress. Additionally, while the military services have initiated actions to help increase the utilization of DTS, they pointed out that ineffective DTS training is a contributing factor to the lower than expected usage rate by the military services.

Finally, DOD still has not addressed the several functional problems associated with weak requirements management and system testing. Requirements represent the blueprint that system developers and program managers use to design, develop, test, and implement a system. Because requirements provide the foundation for system testing, they must be complete, clear, and well documented to design and implement an effective testing program. Our February 2006 analysis disclosed that DOD still did not have reasonable assurance that the flight information was being properly displayed to DOD travelers. We identified 246 unique GSA city pair flights that should have been identified on one or more DTS flight displays according to the DOD requirements. However, 87 of these flights did not appear on one or more of the required listings. We also identified instances in which DTS displayed flights for selection that did not appear to comply with the Fly America Act.⁷ By not displaying flights in accordance with the Fly America Act's criteria, DTS places the traveler who purchases a ticket or the individual authorizing, certifying, or disbursing a payment made when a ticket is paid for directly by DOD through a centrally billed account at unnecessary risk of personal liability, because the travelers can be held accountable for the cost of the trip. While the PMO-DTS has taken action to address our concerns, these actions do not fully address the fundamental problems we found during this audit and on which we have previously reported.⁸ For example, the DTS requirements we reviewed were still ambiguous and conflicting.

⁷ 49 U.S.C. § 40118(c). The act requires federal employees and their dependents, consultants, contractors, grantees, and others performing U.S. government-funded air travel to travel by U.S. certificated flag air carriers except under certain circumstances, such as when travel by a foreign air carrier is a matter of necessity as defined by the statute or when U.S. certificated flag air carrier service is not available.

⁸ GAO-05-998T and GAO-06-18.

Adequately defined and tested requirements are one of the key elements to help reduce a project's risks to acceptable levels.⁹

We are making four recommendations to the Secretary of Defense aimed at improving the department's management and oversight of DTS. More specifically, we recommend that the Secretary of Defense (1) evaluate the cost effectiveness of the Navy continuing with the CTO management fee structure, (2) update the DTS Voucher Analysis Model to report DTS actual utilization rates, (3) require the PMO-DTS to provide periodic reports on the utilization of DTS, and (4) resolve inconsistencies in DTS requirements.

In written comments on a draft of this report, DOD agreed with three and partially agreed with one of the recommendations. For those recommendations the department agreed with, the comments briefly outlined its actions for addressing two of them, but did not comment on the third. In regard to the recommendations to which it responded, the department's planned actions are in keeping with the intent of our recommendations.

DOD disagreed with our finding that the estimated personnel savings are unrealistic. DOD stated that recognizing fiscal constraints, the department continues to identify efficiencies and eliminate redundancies to help leverage available funds. As noted in our report, DOD officials responsible for reviewing economic analyses stated that while shifting personnel to other functions is considered a benefit, it should be considered an intangible benefit rather than tangible dollar savings since the shifting of personnel does not result in a reduction of DOD expenditures. Because none of the military services could validate an actual reduction in the number of personnel as a result of DTS implementation, we continue to believe that the estimated annual personnel savings of \$54.1 million is unrealistic. The Agency Comments and Our Evaluation section of this report provides a more detailed discussion of the department's comments. We have reprinted DOD's written comments in appendix II.

⁹ Acceptable levels refer to the fact that any systems acquisition effort will have risks and will suffer the adverse consequences associated with defects in the processes. However, effective implementation of disciplined processes, which includes project planning and management, requirements management, risk management, quality assurance, and testing, reduces the possibility of the potential risks actually occurring and prevents significant defects from materially affecting the cost, timeliness, and performance of the project.

Background

In September 1993, the National Performance Review recommended an overhaul of DOD's temporary duty (TDY) travel system. In response, DOD created the DOD Task Force to Reengineer Travel to examine the travel process. The task force found that the current process was expensive to administer and was neither customer nor mission oriented with the net result being a travel process that was costly, inefficient, fragmented, and did not support DOD's needs. On December 13, 1995, the Under Secretary of Defense for Acquisition and Technology and the Under Secretary of Defense (Comptroller)/Chief Financial Officer issued a memorandum, "Reengineering Travel Initiative," establishing the PMO-DTS to acquire travel services that would be used DOD-wide. Additionally, in a 1997 report to Congress, the DOD Comptroller pointed out that the existing DOD TDY travel system was never designed to be an integrated system.¹⁰ The report stated that because there was no centralized focus on the department's travel practices, the travel policies were issued by different offices and the process had become fragmented and "stovepiped." The report further noted that there was no vehicle in the current structure to overcome these deficiencies, as no one individual within the department had specific responsibility for management control of DOD TDY travel.

DOD management and oversight of the DTS program has varied over the years. DTS was designated a "Special Interest" program in 1995. It retained this status until May 2002 when it was designated a major automated information system,¹¹ with the Defense Finance and Accounting Service (DFAS) being designated as the lead component for the program. This meant that DFAS was responsible for the management oversight of DTS program acquisition, including DTS compliance with the required DOD acquisition guidance.

¹⁰ Office of the Under Secretary of Defense (Comptroller), *Department of Defense Travel Reengineering Pilot Report to Congress* (Arlington, Va.: June 1997).

¹¹ A major automated information system is one in which the DOD component head estimates that (1) program costs in any single year will exceed \$32 million in fiscal year 2000 constant dollars, (2) total program costs will exceed \$126 million in fiscal year 2000 constant dollars, or (3) total life-cycle costs will exceed \$378 million in fiscal year 2000 constant dollars. The life-cycle cost is the total cost to the government for an information system over its expected useful life and includes the costs to acquire, operate, maintain, and dispose of the system. DOD Instruction 5000.2, *Operation of the Defense Acquisition System*, specifies current mandatory policies and procedures for major acquisitions. The policy also specifies that the DOD Chief Information Officer is the milestone decision authority, responsible for program approval, for all major automated information systems.

In September 2003, DOD finalized its economic analysis for DTS in preparation for a milestone decision review.¹² The highlights of the economic analysis are shown in table 1. In December 2003, the DOD Chief Information Officer granted approval for DTS to proceed with full implementation throughout the department.

Table 1: Summary of DTS Estimated Annual Net Savings Reported in the September 2003 Economic Analysis

Cost components	Estimated annual net savings
Records management	\$19.8
Centrally billed accounts	1.7
CTO acquisition and administration	2.4
CTO services	31.0
Voucher process and compute	54.1
Voucher pay	0
Legacy systems	14.5
PMO	(8.8)
Help desk/DTA	(36.8)
System operations	(21.5)
Total net savings	\$56.4

Source: September 2003 economic analysis provided by the PMO-DTS.

Note: In arriving at the estimated annual net savings of over \$56 million, the economic analysis took into consideration the estimated costs of over \$2.1 billion, which covers fiscal years 2003-2016. The estimated costs included the costs that are estimated to be incurred by the PMO-DTS, the Army, the Navy, the Air Force, and the defense agencies.

In October 2005, DOD established the Business Transformation Agency (BTA) to advance DOD-wide business transformation efforts, particularly with regard to business systems modernization. DOD believes it can better address managing defensewide business transformation, which includes planning, management, organizational structures, and processes related to all key business areas, by first transforming business operations to support the warfighter, while also enabling financial accountability across DOD. BTA operates under the authority, direction, and control of the Under Secretary of Defense for Acquisition, Technology, and Logistics, who is the vice chair of the Defense Business Systems Management Committee—

¹² This is an addendum to the July 2003 DTS economic analysis.

which serves as the highest ranking governing body for business systems modernization activities. Among other things, BTA includes a Defense Business Systems Acquisition Executive who is responsible for centrally managing 28 DOD-wide business projects, programs, systems, and initiatives—one of which is DTS.¹³ In October 2004, responsibility for the policies and procedures related to the management of commercial travel throughout DOD transferred to the Office of the Under Secretary of Defense (Personnel and Readiness).

Validity of DTS Economic Analysis Questionable

Our analysis of the September 2003 DTS economic analysis found that two key assumptions used to estimate cost savings were not based on reliable information. Consequently, the economic analysis did not serve to help ensure that the funds invested in DTS were used in an efficient and effective manner. Two primary areas represented the majority of the over \$56 million of estimated annual net savings DTS was expected to realize—personnel savings and reduced CTO fees. However, the estimates used to generate these savings were unreliable. Further, DOD did not effectively implement the policies relating to developing economic analyses for programs such as DTS. Effective implementation of these policies should have highlighted the problems that we found and allowed for appropriate adjustments so that the economic analysis could have served as a useful management tool in making funding decisions related to DTS—which is the primary purpose of this analysis. While the department's system acquisition criteria do not require that a new economic analysis be prepared, the department's business system investment management structure provides an opportunity for DOD management to assess whether DTS is meeting its planned cost, schedule, and functionality goals.

Personnel Savings Are Unrealistic

The economic analysis estimated that the annual personnel savings was over \$54 million,¹⁴ as shown in table 2.

¹³ Examples of some of these DOD-wide programs, systems, and initiatives besides DTS include the Standard Procurement System, the Defense Integrated Military Human Resources System, and the Standard Financial Information Structure.

¹⁴ During fiscal years 2009 through 2016.

Table 2: Summary of Estimated Annual Personnel Savings

DOD component	Estimated annual savings
Army	\$16.0
Navy	12.9
Air Force	11.3
Marine Corps	5.8
Defense agencies	6.3
Permanent change of station	1.8
Total savings	\$54.1

Source: September 2003 economic analysis provided by the PMO-DTS.

As shown in table 2, approximately 45 percent of the estimated savings, or \$24.2 million was attributable to the Air Force and Navy. The assumption behind the personnel savings computation was that there would be less manual intervention in the processing of travel vouchers for payment, and therefore fewer staff would be needed. However, based on our discussions with Air Force and Navy DTS program officials, it is questionable as to how the estimated savings will be achieved. Air Force and Navy DTS program officials stated that they did not anticipate a reduction in the number of personnel with the full implementation of DTS, but rather the shifting of staff to other functions. According to DOD officials responsible for reviewing economic analyses, while shifting personnel to other functions is considered a benefit, it should be considered an intangible benefit rather than tangible dollar savings since the shifting of personnel does not result in a reduction of DOD expenditures. Also, as part of the Navy's overall evaluation of the economic analysis, program officials stated that "the Navy has not identified, and conceivably will not recommend, any personnel billets for reduction." Finally, the Naval Cost Analysis Division (NCAD) October 2003 report on the economic analysis noted that it could not validate approximately 40 percent of the Navy's total costs, including personnel costs, in the DTS life-cycle cost estimates because credible supporting documentation was lacking. The report also noted that the PMO-DTS used unsound methodologies in preparing the DTS economic analysis.

The extent of personnel savings for the Army and defense agencies, which are reported as \$16 million and \$6.3 million respectively, is also unclear. The Army and many defense agencies use DFAS to process their travel vouchers, so the personnel savings for the Army and the defense agencies

were primarily related to reductions in DFAS's costs. In discussions with DFAS officials, they were unable to estimate the actual personnel savings that would result since they did not know (1) the number of personnel, like those at the Air Force and Navy, that would simply be transferred to other DFAS functions or (2) the number of personnel that could be used to avoid additional hiring. For example, DFAS expects that some of the individuals assigned to support the travel function could be moved to support its ePayroll program. Since these positions would need to be filled regardless of whether the travel function is reduced, transferring personnel from travel to ePayroll would reduce DOD's overall costs since DFAS would not have to hire additional individuals.

Savings Associated with Reduction of CTO Fees Are Unknown

According to the September 2003 economic analysis, DOD expected to realize annual net savings of \$31 million through reduced fees paid to the CTOs because the successful implementation of DTS would enable the majority of airline tickets to be acquired with either no or minimal intervention by the CTOs. These are commonly referred to as "no touch" transactions. However, DOD did not have a sufficient basis to estimate the number of transactions that would be considered "no touch" since (1) the estimated percentage of transactions that can be processed using the "no touch" was not supported and (2) the analysis did not properly consider the effects of components that use management fees, rather than transaction fees, to compensate the CTOs for services provided. The weaknesses we identified with the estimating process raise serious questions as to whether DOD will realize substantial portions of the estimated annual net savings of \$31 million.

"No Touch" Transaction Volume Estimates Are Not Supported

DOD arrived at the \$31 million of annual savings in CTO fees by estimating that 70 percent of all DTS airline tickets would be considered "no touch" and then multiplying these tickets by the savings per ticket in CTO fees. However, a fundamental flaw in this analysis was that the 70 percent assumption had no solid basis. We requested, but the PMO-DTS could not provide, any analysis of travel data to support the assertion. Rather, the sole support provided by the PMO-DTS was an article in a travel industry trade publication.¹⁵ The article was not based on information related to DTS, but rather on the experience of one private sector company.

¹⁵ American Express News Releases: American Express' Interactive Travel Update (New York: Aug. 11, 2003), <http://corp.americanexpress.com/gcs/cards/us/nl/pr/081303.aspx>.

The economic analysis assumed that DOD could save about \$13.50 per "no touch" ticket. Since that analysis, DOD has awarded one contract that specifically prices transactions using the same model as that envisioned by the economic analysis. This contract applies to the Defense Travel Region 6 travel area.¹⁶ During calendar year 2005, the difference in fees for "no touch" transactions and the transactions supported by the current process averaged between \$10 and \$12, depending on when the fees were incurred because the contract rates changed during 2005.¹⁷ In analyzing travel voucher data for Region 6 for calendar year 2005, we found that the reported "no touch" rate was, at best 47 percent—far less than the 70 percent envisioned in the economic analysis.

PMO-DTS program officials stated they are uncertain as to why the anticipated 70 percent "no touch" was not being achieved. According to PMO-DTS program officials, this could be attributed, in part, to the DOD travelers being uncomfortable with the system and making reservations without using a CTO. Although this may be one reason, other factors may also affect the expected "no touch" fee. For example, we were informed that determining the airline availability and making the associated reservation can be accomplished, in most cases, rather easily. However, obtaining information related to hotels and rental cars and making the associated reservation can be more problematic because of the limitations in the data that DTS is able to obtain from its commercial sources. Accordingly, while a traveler may be able to make a "no touch" reservation for the airline portion of the trip, the individual may need to contact the CTO in order to make hotel or rental car reservations. When this occurs, rather than paying a "no touch" fee to the CTO, DOD ends up paying a higher fee, which eliminates the savings estimated in the economic analysis.

¹⁶ Defense Travel Region 6 includes the Air Force and defense agencies in the states of Kentucky, Illinois, Indiana, Iowa, Michigan, Minnesota, Missouri, Nebraska, North Dakota, South Dakota, and Wisconsin. The contract also applies to Army activities in 8 of the 11 states (excluding Kentucky, Missouri, and Nebraska). As discussed later, the Navy uses a management fee contract, and is therefore not included in the Defense Travel Region 6 contract.

¹⁷ According to DTS officials, these savings are consistent with the DTS contracts that have been awarded to small businesses. The average savings per "no touch" ticket under these contracts is about \$12.88. Because the contractors are paid these fees directly by the traveler, they are unable to determine the percentage of transactions that are actually paid using the "no touch" rate.

The economic analysis assumed that (1) DOD would be able to modify the existing CTO contracts to achieve a substantial reduction in fees paid to a CTO when DTS was fully implemented across the department and (2) all services would use the fee structure called for in the new CTO contracts. The first part of the assumption is supported by results of the CTO contract for DOD Region 6 travel. The fees for the DTS "no touch" transactions were at least \$10 less than if a CTO was involved in the transactions. However, to date, the department has experienced difficulty in awarding new contracts with the lower fee structure. On May 10, 2006, the department announced the cancellation of the solicitation for a new contract. According to the department, it decided that the solicitation needed to be rewritten based on feedback from travel industry representatives at a March 28, 2006, conference. The department acknowledged that the "DTS office realized its solicitation didn't reflect what travel agency services it actually needed."¹⁸ The department would not say how the solicitation would be refined, citing the sensitivity of the procurement process. The department also noted that the new solicitation would be released soon, but provided no specific date.

Navy Impact of CTO Management Fees Not Adequately Considered

The economic analysis assumed that the Navy would save about \$7.5 million, almost 25 percent, of the total savings related to CTO fees once DTS is fully deployed. The economic analysis averaged the CTO fees paid by the Army, the Air Force, and the Marine Corps—which amounted to about \$18.71 per transaction—to compute the savings in Navy CTO fees. Using these data, the assumption was made in the economic analysis that a fee of \$5.25 would be assessed for each ticket, resulting in an average savings of \$13.46 per ticket for the Navy (\$18.71 minus \$5.25).¹⁹ While this approach may be valid for the organizations that pay individual CTO fees, it may not be representative for organizations such as the Navy that pay a management fee. The management fee charged the Navy is the same regardless of the involvement of the CTO—therefore, the reduced "no touch" fee would not apply.

We were informed by Navy DTS program officials that they were considering continuing the use of management fees after DTS is fully implemented. According to Navy DTS program officials, they paid about \$14.5 million during fiscal year 2005 for CTO management fees, almost \$19

¹⁸ "DOD Retracts Solicitation for Travel Agency Services," *FederalTimes.com* (May 16, 2006), <http://www.federaltimes.com/index.php?> (downloaded June 14, 2006).

¹⁹ These savings translate to about 572,000 tickets annually.

per ticket for approximately 762,700 tickets issued. Accordingly, even if the department arrives at a new CTO contract containing the new fee structure or fees similar to those of Region 6, the estimated savings related to CTO fees for the Navy will not be realized if the Navy continues to use the management fee concept.

Effective Implementation of Existing Policies Should Have Identified Problems with the Economic Analysis

Effective implementation of DOD guidance would have detected the types of problems discussed above and resulted in an economic analysis that would have accomplished the stated objective of the process—to help ensure that the funds invested in DTS were used efficiently and effectively. DOD policy²⁰ and OMB guidance²¹ require that an economic analysis be based on facts and data and be explicit about the underlying assumptions used to arrive at estimates of future benefits and costs. Since an economic analysis deals with costs and benefits occurring in the future, assumptions must be made to account for uncertainties. DOD policy recognizes this and provides a systematic approach to the problem of choosing the best method of allocating scarce resources to achieve a given objective.

A sound economic analysis recognizes that there are alternative ways to meet a given objective and that each alternative requires certain resources and produces certain results. The purpose of the economic analysis is to give the decision maker insight into economic factors bearing on accomplishing the objectives. Therefore, it is important to identify factors, such as cost and performance risks and drivers, which can be used to establish and defend priorities and resource allocations. The DTS economic analysis did not comply with the DOD policy, and the weaknesses we found should have been detected had the DOD policy been effectively implemented. The PMO-DTS had adequate warning signs of the potential problems associated with not following the OMB and DOD guidance for developing an effective economic analysis. For example, as noted earlier, the Air Force and Navy provided comments when the economic analysis was being developed that the expected benefits being claimed were unrealistic. Just removing the benefits associated with personnel savings from the Air Force and Navy would have reduced the overall estimated program cost savings by almost 45 percent. This would have put increased pressure on the credibility of using a 70 percent “no

²⁰ DOD Instruction 7041.3, *Economic Analysis for Decisionmaking*, November 7, 1995.

²¹ Office of Management and Budget, Circular No. A-94, *Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs* (Revised Jan. 18, 2006).

"touch" utilization rate. The following are examples of failures to effectively implement the DOD policy on conducting economic analyses and the adverse effects on the DTS economic analysis.

- The DTS life-cycle cost estimates portion of the economic analysis was not independently validated as specified in DOD's guidance.²² PMO-DTS officials acknowledged that there was not an independent assessment of the DTS life-cycle cost estimates. However, they noted that the department's Office of Program Analysis and Evaluation had provided comments on the economic analysis.²³ Program Analysis and Evaluation officials informed us that they did not perform an independent assessment of the DTS economic analysis because the data were not available to validate the reliability of that analysis. Program Analysis and Evaluation officials also noted that they had raised similar concerns about the July 2003 economic analysis, but those issues had not been resolved when the September 2003 economic analysis was provided for their review. Because the September 2003 DTS life-cycle cost estimates were not independently assessed, the department did not have reasonable assurance that the reported estimates were realistic, that the assumptions on which the analysis was based were valid, or that the estimated rate of return on the investment could reasonably be expected to be realized.
- The September 2003 DTS economic analysis did not undertake an assessment of the effects of the uncertainty inherent in the estimates of benefits and costs, as required by DOD and OMB guidance.²⁴ Because an economic analysis uses estimates and assumptions, it is critical that a sensitivity analysis be performed to understand the effects of the imprecision in both underlying data and modeling assumptions. This analysis is required since the estimates of future benefits and costs are subject to varying degrees of uncertainty. For example, according to DOD officials, the number of travel transactions has remained relatively stable over the years. On the other hand, as discussed previously, the

²² Department of Defense Instruction 5000.2, *Operation of the Defense Acquisition System*, May 12, 2003.

²³ Department of Defense Regulation 5000.2-R, *Interim Defense Acquisition Guidebook* (Oct. 30, 2002), para.c4.5.1.61, required the Office of Program Analysis and Evaluation to assess certain aspects of the economic analysis.

²⁴ Department of Defense Instruction 7041.3, *Economic Analysis of Decisionmaking* (Nov. 7, 1995), and Office of Management and Budget Revised Circular No. A-94, *Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs* (Oct. 29, 1992).

number of transactions that can be processed as "no touch" is unknown. Sensitivity analysis refers to changing the value of a given variable in a model to gauge the effect of change on model results. More importantly, it identifies key elements—data and assumptions—as discussed above—and varies a single element while holding the others constant to determine what amount of change in that element is required to raise or lower the resulting dominant benefit and cost elements by a set amount. In this way, data and assumptions can be risk-ranked for decisionmaking and auditing. In the case of DTS, we requested that the PMO-DTS determine the effects of a change in "no touch" transaction percentage. With all other factors remaining the same, DTS would have to achieve a 35 percent "no touch" transaction rate just to break even—where tangible costs and benefits are equal. Had DOD performed such an analysis, it would have understood that depending solely on an industry trade publication as its support for the "no touch" transaction percentage had major implications on the potential savings.

**New Economic Analysis
Not Required by DOD
Criteria**

Although the September 2003 economic analysis was not based on supportable data, the department's criteria do not require that a new economic analysis be prepared. DTS has already completed all of the major milestones related to a major automated system, which require that an economic analysis be prepared or at least updated to reflect the current assumptions and the related costs and benefits. However, the fiscal year 2005 defense authorization act²⁹ requires the periodic review, but not less than annually, of every defense business system investment. Further, the department's April 2006 guidance³⁰ notes that the annual review process "provides follow-up assurance that information technology investments, which have been previously approved and certified, are managed properly, and that promised capabilities are delivered on time and within budget." If effectively implemented, this annual review process provides an excellent opportunity for DOD management to assess whether DTS is meeting its planned cost, schedule, and functionality goals. Going forward, such a review could serve as a useful management tool in making funding and other management decisions related to DTS.

²⁹ Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005, Pub. L. No. 108-375, § 332, 118 Stat. 1811, 1851-56 (Oct. 28, 2004) (*codified, in part, at 10 U.S.C. §§ 186, 2222*).

³⁰ DOD, *DOD IT Business Systems Investment Review Process: Investment Certification and Annual Review Process User Guidance* (Apr. 10, 2006).

DTS Remains Underutilized by the Military Services

Our September 2005 testimony and January 2006 report²⁷ noted the challenge facing the department in attaining the anticipated DTS's utilization. While DOD has acknowledged the underutilization, we found that across DOD, the department does not have reasonable quantitative metrics to measure the extent to which DTS is actually being used. Presently, the reported DTS utilization is based on a DTS Voucher Analysis Model²⁸ that was developed in calendar year 2003 using estimated data, but over the years has not been completely updated with actual data. While the military services have initiated actions to help increase the utilization of DTS, they pointed out that ineffective DTS training is a contributing factor to the lower than expected usage rate by the military services.

Metrics to Measure DTS Utilization Are Inadequate

The DTS Voucher Analysis Model was prepared in calendar year 2003 and based on airline ticket and voucher count data that were reported by the military services and defense agencies, but the data were not verified or validated. Furthermore, PMO-DTS officials acknowledged that the model has not been completely updated with actual data as DTS continues to be implemented at the 11,000 sites. We found that the Air Force is the only military service that submits monthly metrics to the PMO-DTS officials for their use in updating the DTS Voucher Analysis Model. Rather than reporting utilization based on individual site system utilization data, the PMO-DTS continues to rely on outdated information in the reporting of DTS utilization to DOD management and Congress. We have previously reported²⁹ that best business practices indicate that a key factor of project management and oversight is the ability to effectively monitor and evaluate a project's actual performance against what was planned.

²⁷ GAO-05-998T and GAO-06-18.

²⁸ DOD developed a model in calendar year 2003 that compares the expected usage against the actual usage. The expected usage is obtained by using historical data, such as ticket counts, to determine the expected number of vouchers processed by a given location. For example, if a location had 1,000 vouchers as its expected number of vouchers per the model, but now processes 750 actual vouchers through DTS, then the PMO model considers that that location has achieved a 75 percent utilization rate. It then takes the individual computations for each DTS location and "rolls them up" to determine the total utilization for individual service performance on a monthly basis.

²⁹ GAO, *Financial Management Systems: Additional Efforts Needed to Address Key Causes of Modernization Failures*, GAO-06-184 (Washington, D.C.: Mar. 15, 2006), and *Financial Management Systems: Lack of Disciplined Processes Puts Implementation of HIIS' Financial System at Risk*, GAO-04-1008 (Washington, D.C.: Sept. 23, 2004).

In order to perform this critical task, best business practices require the adoption of quantitative metrics to help measure the effectiveness of a business system implementation and to continually measure and monitor results, such as system utilization. This lack of accurate and pertinent utilization data hinders management's ability to monitor its progress toward the DOD vision of DTS as the standard travel system, as well as to provide consistent and accurate data to Congress. With the shift of the DTS program to BTA, which now makes DTS an enterprisewide endeavor, improved metrics and training are essential if DTS is to be DOD's standard, integrated, end-to-end travel system for business travel.

Table 3 presents DTS's reported percentage of utilization during the period October 2005 through April 2006. PMO-DTS officials calculated these utilization percentages by comparing the actual number of travel vouchers processed through DTS to the outdated universe of travel transaction data per the model, as described previously. Because the PMO-DTS was not able to identify the total number of travel vouchers that should have been processed through DTS (total universe of travel vouchers), the utilization percentages shown in table 3 may be over- or understated.

Table 3: DTS Reported Utilization Percentage for the Period October 2005 through April 2006

Month	Army	Navy	Air Force
October 2005	46	28	33
November 2005	59	32	48
December 2005	50	27	38
January 2006	40	20	29
February 2006	54	30	40
March 2006	66	39	47
April 2006	59	35	40
Average	53	30	39

Source: PMO-DTS.

PMO-DTS program officials confirmed that the reported utilization data were not based on complete data because the department did not have comprehensive information to identify the universe or the total number of travel vouchers that should be processed through DTS. PMO-DTS program and DTS military service officials agreed that the actual DTS utilization rate should be calculated by comparing actual vouchers being processed in DTS to the total universe of vouchers that should be processed in DTS. The universe would exclude those travel vouchers that cannot be

processed through DTS, such as those related to permanent change of station travel.

The Air Force was the only military service that attempted to obtain data on (1) the actual travel vouchers processed through DTS and (2) those travel vouchers eligible to be processed through DTS, but were not. These data were site specific. For example, during the month of December 2005, the PMO-DTS reported that at Wright-Patterson Air Force Base, 2,880 travel vouchers were processed by DTS, and the Air Force reported that another 2,307 vouchers were processed through the legacy system—the Reserve Travel System (RTS). Of those processed through RTS, Air Force DTS program officials stated that 338 travel vouchers should have been processed through DTS. DTS Air Force program officials further stated that they submitted to the PMO-DTS the number of travel vouchers processed through RTS each month. These data are used by the PMO-DTS to update the DTS Voucher Analysis Model. However, neither the Air Force nor the PMO-DTS have verified the accuracy and reliability of the data. Therefore, the accuracy of the utilization rates reported for the Air Force by the PMO-DTS is not known. As shown in table 3, PMO-DTS officials reported utilization data for the Air Force from a low of 29 percent (January 2006) to a high of 48 percent (November 2005) during the 7-month period ending April 2006.

Because Army and Navy DTS program officials did not have the information to identify the travel transactions that should have been processed through DTS, the Army and Navy did not have a basis for evaluating DTS utilization at their respective military locations and activities. Furthermore, Navy DTS program officials indicated that the utilization data that the PMO-DTS program officials reported for the Navy were not accurate. According to Navy DTS program officials, the Navy's primary source of utilization data was the monthly metrics reports provided by the PMO-DTS, but Navy DTS program officials questioned the accuracy of the Navy utilization reports provided by the PMO-DTS.

- For example, the Navy PMO-DTS utilization site report has a site name of Ballston, Va.; however, Ballston, Va. is not listed on the map site names on the DTS contractor's database. As a result, the PMO-DTS Navy utilization report for this location indicates no usage every month. Our analysis indicated that this was 1 of at least 33 similar instances where no usage was reported for a nonexistent location. Navy DTS program officials stated that an effort is underway to "re-map" all Navy organizations to the correct site name, but as of June 2006 this effort had not been completed.

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- Another example indicates the inconsistencies that exist in the different information used by the Navy and the PMO-DTS program officials to report utilization rates for the Navy. The PMO-DTS program officials reported that the Navy had a total of 9,400 signed, original vouchers processed through DTS during December 2005; however, this is less than the 10,523 reported by the DTS contractor for the same month. According to Navy DTS program officials, they have not been able to confirm whether either figure is correct. Since the number of DTS vouchers is required to calculate utilization, the Navy is unable to determine the accuracy of the utilization metrics reported by the PMO-DTS officials, as shown in table 3.

DOD Has Taken Steps to Improve DTS Utilization, but Further Action Is Needed

While the military services have issued various memorandums that direct or mandate the use of DTS to the fullest extent possible at those sites where DTS has been deployed, resistance still exists. As highlighted below, deployed sites are still using non-DTS systems, or legacy systems, to process TDY travel.

- The Army issued a memorandum in September 2004 directing each Army installation to fully disseminate DTS to all travelers within 90 to 180 days after Initial Operating Capability³⁰ (IOC) at each installation.³¹ Subsequently in September 2005, DFAS officials reported that 390,388 travel vouchers were processed through the Army's legacy system—the Windows Integrated Automated Travel System, but DFAS officials could not provide a breakout of how many of the 390,388 travel vouchers should have been processed through DTS.
- The Air Force issued a memorandum in November 2004 that stressed the importance of using DTS once it was implemented at an installation. The Air Force memorandum specifically stated that business, local, and group travel vouchers should be electronically processed through DTS and that travel claims should not be submitted to the local finance office for processing. However, we found that Air Force travelers continued to process travel claims through legacy systems, such as RTS. For example, during the month of November 2005, the Air Force reported that 3,277

³⁰ When a military service location has declared Initial Operating Capability (IOC), that location moves into an "operational phase" in which all units/activities are fully proliferated for use of DTS.

³¹ The memorandum included a list of sites to which DTS should be fully disseminated and the types of vouchers that must be processed through DTS.

business vouchers, 1,875 local vouchers, and 1,815 group vouchers were processed through RTS that should have been processed through DTS. Additionally, a DFAS internal review²⁸ analyzed Air Force vouchers during the period January 2005 through June 2005, at locations where DTS was deployed, and found that Air Force travelers used legacy systems to process 79 percent of all routine TDY transactions.

- The Navy issued a memorandum in May 2005 that directed the use of DTS to generate travel orders throughout all Navy locations. Navy DTS program officials reported in an April 2006 briefing that 18,300 travel vouchers were processed in DTS during the month of March 2006, but that over 90,000 travel vouchers were still being processed monthly through the Integrated Automated Travel System—a legacy system.

Thus, despite memoranda issued by the military services, it appears that DTS continues to be underutilized by the military services. As discussed in our September 2005 testimony and January 2006 report,²⁹ the unnecessary continued use of the legacy travel systems results in the inefficient use of funds because the department is paying to operate and maintain duplicative systems that perform the same function—travel.

Besides the memorandums, DOD is taking other actions to increase DTS utilization as the following examples illustrate.

- The Assistant Secretary of the Army for Financial Management (Financial & Accounting Oversight Directorate) holds monthly Senior Focus Group meetings with the installation leadership of major commands to discuss DTS utilization issues and possible corrective actions.
- The Navy conducts quarterly video and telephone conferences with major commands and contacts commands with low usage to determine the causes for low DTS usage.
- The PMO-DTS conducts monthly working group meetings with the military service and defense agency DTS program officials to discuss DTS functionality issues and concerns, DTS usage, and other related DTS issues.

²⁸ Department of Defense, Defense Finance and Accounting Service, Internal Review, *Audit of the Defense Travel System (DTS), October 2005 – February 2006*, CO06SRP005AR (Arlington, Va.: Feb. 22, 2006).

²⁹ GAO-05-998T and GAO-06-18.

Although the military services have issued various memorandums aimed at increasing the utilization of DTS, the military service DTS program officials all pointed to ineffective training as a primary cause of DTS not being utilized to a far greater extent. The following examples highlight the concerns raised by the military service officials.

- Army DTS program officials emphasized that the DTS system is complex and the design presents usability challenges for users—especially for first-time or infrequent users. They added that a major concern is that there is no PMO-DTS training for existing DTS users as new functionality is added to DTS. These officials stated that the PMO-DTS does not do a good job of informing users about functionality changes made to the system. We inquired if the Help Desk was able to resolve the users' problems, and the Army DTS officials simply stated "no." The Army officials further pointed out that it would be beneficial if the PMO-DTS improved the electronic training on the DTS Web site and made the training documentation easier to understand. Also, improved training would help infrequent users adapt to system changes. The Army officials noted that without some of these improvements to resolve usability concerns, DTS will continue to be extremely frustrating and cumbersome for travelers.
- Navy DTS program officials stated that DTS lacks adequate user/traveler training. The train-the-trainer concept of training system administrators who could then effectively train all their travelers has been largely unsuccessful. According to Navy officials, this has resulted in many travelers and users attempting to use DTS with no or insufficient training. The effect has frustrated users at each step of the travel process and has discouraged use of DTS.
- Air Force officials stated that new DTS system releases are implemented with known problems, but the sites are not informed of the problems. Workarounds are not provided until after the sites begin encountering problems. Air Force DTS program officials stated that DTS releases did not appear to be well tested prior to implementation. Air Force officials also stated that there was insufficient training on new functionality. PMO-DTS and DTS contractor program officials believed that conference calls to discuss new functionality with the sites were acceptable training, but Air Force officials did not agree. The Air Force finance office was expected to fully comprehend the information received from those conference calls and provide training on the new functionality to users/approvers, but these officials stated that this was an unrealistic expectation.

**Previously Reported
DTS Requirements
Management and
Testing Deficiencies
Have Not Been
Resolved**

Our September 2005 testimony and January 2006³⁴ report noted problems with DTS's ability to properly display flight information and traced those problems to inadequate requirements management and testing. DOD stated that it had addressed those deficiencies and in February 2006, we again tested the system to determine whether the stated weaknesses had been addressed. We found that similar problems continue to exist. We also identified additional deficiencies in DTS's ability to display flights that comply with the Fly America Act.³⁵ DTS's inability to display flights that comply with the Fly America Act places the traveler who purchases a ticket or the individual authorizing, certifying, or disbursing a payment made when a ticket is paid for directly by DOD through a centrally billed account at unnecessary risk of personal liability. Once again, these problems can be traced to ineffective requirements management and testing processes. Properly defined requirements are a key element in systems that meet their cost, schedule, and performance goals since they define (1) the functionality that is expected to be provided by the system and (2) the quantitative measures by which to determine through testing whether that functionality is operating as expected.

We briefed PMO-DTS officials on the results of our tests and in May 2006 the officials agreed that our continued concerns about the proper display of flight information and compliance with the Fly America Act were valid. PMO-DTS officials stated that the DTS technology refresh, which is to be completed in September 2006, should address some of our concerns. While these actions are a positive step forward, they do not address the fundamental problem that DTS's requirements are still ambiguous and conflicting—a primary cause of the previous problems. Until a viable requirements management process is developed and effectively implemented, the department (1) cannot develop an effective testing process and (2) will not have reasonable assurance the project risks have been reduced to acceptable levels.

³⁴ GAO-05-998T and GAO-06-18.

³⁵ 49 U.S.C. §40118, commonly referred to as the Fly America Act, requires federal employees and their dependents, consultants, contractors, grantees, and others performing U.S. government-funded air travel to travel by U.S. certified flag air carriers except under certain circumstances, such as when travel by foreign air carrier is a matter of necessity as defined by the statute or when U.S. certified flag air carrier service is not available. See 41C.F.R. § 301-10.135.

Providing Complete Flight Information Has Been a Continuing Problem

In our earlier testimony and report,³⁶ we noted that DOD did not have reasonable assurance that the flights displayed met the stated DOD requirements. Although DOD stated in each case that our concerns had been addressed, subsequent tests found that the problems had not been corrected. Requirements represent the blueprint that system developers and program managers use to design, develop, and acquire a system. Requirements should be consistent with one another, verifiable, and directly traceable³⁷ to higher-level business or functional requirements. It is critical that requirements be carefully defined and that they flow directly from the organization's concept of operations (how the organization's day-to-day operations are or will be carried out to meet mission needs). Improperly defined or incomplete requirements have been commonly identified as a cause of system failure and systems that do not meet their cost, schedule, or performance goals.

Requirements represent the foundation on which the system should be developed and implemented. As we have noted in previous reports,³⁸ because requirements provide the foundation for system testing, significant defects in the requirements management process preclude an entity from implementing a disciplined testing process. That is, requirements must be complete, clear, and well documented to design and implement an effective testing program. Absent this, an organization is taking a significant risk that its testing efforts will not detect significant defects until after the system is placed into production. Our February 2006 analysis of selected flight information disclosed that DOD still did not have reasonable assurance that DTS displayed flights in accordance with its stated requirements. We analyzed 15 U.S. General Services Administration

³⁶ GAO-05-998T and GAO-06-18.

³⁷ Traceability allows the user to follow the life of the requirement both forward and backward through these documents and from origin through implementation. Traceability is also critical to understanding the parentage, interconnections, and dependencies among the individual requirements. This information in turn is critical to understanding the impact when a requirement is changed or deleted.

³⁸ See, for example, GAO-04-1008 and *Army Depot Maintenance: Ineffective Oversight of Depot Maintenance Operations and System Implementation Efforts*, GAO-05-441 (Washington, D.C.: June 30, 2005).

(GSA) city pairs,³⁹ which should have translated into 246 GSA city pair flights for the departure times selected. However, we identified 87 flights that did not appear on one or more of the required listings based on the DTS requirements. For instance, our analysis identified 44 flights appearing on other DTS listings or airline sites that did not appear on the 9:00 am DTS listing even though those flights (1) met the 12-hour flight window⁴⁰ and (2) were considered GSA city pair flights—two of the key DTS requirements the system was expected to meet.

After briefing PMO officials on the results of our analysis in February 2006, the PMO-DTS employed the services of a contractor to review DTS to determine the specific cause of the problems and recommend solutions. In a March 2006 briefing, the PMO-DTS acknowledged the existence of the problems, and identified two primary causes. First, part of the problem was attributed to the methodology used by DTS to obtain flights from the Global Distribution System (GDS). The PMO-DTS stated that DTS was programmed to obtain a “limited” amount of data from GDS in order to reduce the costs associated with accessing GDS. This helps to explain why flight queries we reviewed did not produce the expected results. To resolve this particular problem, the PMO-DTS proposed increasing the amount of data obtained from GDS. Second, the PMO-DTS acknowledged that the system testing performed by the contractor responsible for developing and operating DTS was inadequate and, therefore, there was no assurance that DTS would provide the data in conformance with the stated requirements. This weakness was not new, but rather reconfirms the concerns discussed in our September 2005 testimony and January 2006 report⁴¹ related to the testing of DTS.

³⁹ GSA awards contracts to airlines to provide flight services between pairs of cities. This commonly referred to as the GSA city pair program. Under this program (1) no advanced ticket purchases are required, (2) no minimum or maximum length of stay is required, (3) tickets are fully refundable and no charges are assessed for cancellations or changes, (4) seating is not capacity controlled (i.e., as long as there is a coach-class seat on the plane, the traveler may purchase it), (5) no blackout dates apply, (6) fare savings average 70 percent over regular walk-up fares, and (7) fares are priced on one-way routes permitting agencies to plan for multiple destinations. We selected the first 15 city pairs that were provided by DOD to GSA in support of a GSA study on accuracy of flight displays and fare information by DTS and the GSA eTravel providers.

⁴⁰ A flight window is the amount of time before and after a specified time and is used for determining the flights that should be displayed. DTS uses a 12-hour flight window for domestic flights and a 24-hour flight window for foreign flights. The system is also expected to display up to 25 flights for the flight window.

⁴¹ GAO-05-998T and GAO-06-18.

Our analysis also found that DOD did not have reasonable assurance that the system displayed flights in compliance with the requirements of the Fly America Act. In 1996, Congress assigned the Administrator, GSA, the responsibility⁴² to determine the situations for which appropriated funds could be used consistent with the Fly America Act, and GSA has published its rules in the *Federal Travel Regulation* (FTR).⁴³ Within the basic guidelines that GSA publishes, agencies must establish “internal procedures” to ensure that agency reimbursements with federal funds for travelers’ air carrier expenses are made only in compliance with the Fly America Act and the FTR rules. As a result, DTS places the traveler who purchases a ticket or the individual authorizing, certifying, or disbursing a payment made when a ticket is paid for directly by DOD—such as those tickets purchased using a centrally billed account—at unnecessary risk of personal liability. DOD guidance expressly states that for code-sharing⁴⁴ airline tickets related to foreign travel (1) the entire airline ticket must be issued by and on the U.S.-flag carrier (not necessarily the carrier operating the aircraft) and (2) the flight must be between a centennial United States and a foreign destination. If these conditions are not met, DOD requires a determination that a U.S.-flag carrier is not available or use of a non-U.S.-flag carrier is necessary.⁴⁵ These requirements are commonly referred to as the Fly America Act requirements. According to PMO-DTS officials, DTS’s requirements are intended to comply with the Fly America Act. However, our analysis of March 2006 flight display data identified several instances in which flights were displayed to the DOD traveler that did not meet the requirements of the Fly America Act. For example, six of the first seven flights displayed between Santiago, Chile, and San Antonio, Texas, did not appear to comply with the Fly America Act requirements since they did not involve a U.S.-flag carrier. More importantly, several flights that appeared later in the listing and involved U.S.-flag carriers were more advantageous to the traveler because they required less actual travel time. Figure 1 shows the DTS display of flights.

⁴² See 49 U.S.C. § 40118(c).

⁴³ See 41 C.F.R. §301-10.143.

⁴⁴ A code-share agreement is a marketing arrangement in which an airline places its designator code on a flight operated by another airline and sells, advertises, and issues tickets as its own flights. U.S. carriers must obtain authorization for foreign code-share operations from the Department of Transportation.

⁴⁵ JTR, C2204-C, and JFTR, U3125-C.

Figure 1: March 2006 DTS Display of Flights between Santiago, Chile, and San Antonio, Texas

According to DTS program officials, after our discussions relating to the flight displays and compliance with the Fly America Act, they did a "requirements scrub" to define the requirements that should be used to display flights, including those requirements relating to displaying flights that comply with the Fly America Act. The previous requirement stated that "DTS shall examine international trip records for compliance with DOD policy on the use of non-U.S.-flag carriers." The revised requirement relating to international flights stated that the system should display flights

that are (1) part of the GSA city pair program or (2) offered by U.S. carriers. If the system cannot find flights that meet these criteria, then the system is expected to instruct the user to contact their CTO to arrange the flight. According to PMO-DTS officials, this change has been incorporated into the production system. We conducted a limited nonstatistical test to determine if the examples of flights not complying with the Fly America Act identified in our earlier tests had been eliminated and found that these flights no longer appeared on the DTS displayed flights. However, as we noted, the DOD policy is compliant with the Fly America Act requirements and this was a DTS requirement in effect when we identified the examples of flight displays not complying with the Fly America Act. In effect, this is another example of (1) inadequate testing by the DTS contractor and (2) DOD's inability to ensure the system is meeting its requirements. Until DOD effectively analyzes and properly documents the functionality it desires, it has little assurance that the proper requirements have been defined.

DOD's Planned Corrective Actions Will Not Address Fundamental Requirements Management Problems

While DOD's planned actions, if effectively implemented, should address several of the specific weaknesses we identified related to flight displays and the Fly America Act, they fall short of addressing the fundamental problems that caused those weaknesses—ineffective requirements management. DTS's requirements continue to be ambiguous. For example, a system requirement was changed to "display," that is, show the fares relating to the full GSA city pair fare only if the GSA city pair fare with capacity limits⁴⁶ was not available. Based upon information provided by PMO-DTS officials, after the requirement was supposed to have been implemented, both fare types were shown on the DTS display screen. PMO-DTS officials stated that although both fares were shown, DTS was still expected to book the lower fare and that the requirement was really designed to ensure that the lower fare was booked. This requirement is ambiguous because it is not clear what the word "display" means in this context. Based upon the stated requirement, the most common interpretation would be that the word display implies information that is provided (or shown) to the DOD traveler. However, based on the PMO-DTS official's explanation, the word display, in fact, means the fare that is booked. This type of ambiguity was one cause of problems we noted in the

⁴⁶ Several GSA city pair flights have two contract fares. These fares are commonly referred to as an unrestricted GSA city pair fare and a GSA city pair fare with capacity limits. The latter fare is cheaper than the unrestricted GSA city pair fare and applies to a limited number of seats when available. However, it has no other restrictions.

past where testing did not identify system defects and DTS did not properly display the proper flight information to the user.

Furthermore, DOD is currently undergoing a technology upgrade of DTS that is scheduled for completion by September 30, 2006. This technology upgrade is expected to provide additional functionality; however, DOD still has not adequately defined the requirements that are needed to define flight displays for DOD travelers. According to DTS program officials and the contractor responsible for the technology upgrade, the upgrade is intended to do the following:

- Replace the current display of up to 25 flights on one page in a predetermined order⁴⁷ and separate the 25 flights into three categories—GSA city pair flights, Other Government Fares, and Other Unrestricted Flights—and then sort the flights by additional criteria such as elapsed travel time (rather than the current flight time), time difference from the requested departure time, number of stops, and whether the flight is considered a direct flight. This approach, if effectively implemented, addresses one problem we noted with the current process where flight time⁴⁸ rather than elapsed travel time is used as one of the sorting criteria. It will also present flights that have the shortest duration in relation to the requested departure time at the top of the listing.
- Display the prices on all flights returned to the traveler. The current system displays the prices for the GSA city pair flights and allows the traveler to request prices for up to 10 additional flights at a time. This significantly improves the ability of the system to present information to the traveler that can be used to select the best flight for the government and allows the system to help ensure that the lowest cost flights are

⁴⁷ Under the current release, DTS will attempt to display up to 25 flights in two categories—GSA city pairs and other. The flights within GSA city pairs are then displayed according to elapsed travel time.

⁴⁸ Flight time is the actual time a plane is in the air while elapsed travel time is the total time from the original departure to the ultimate arrival. For non stop flights, the times are the same. However, in cases of connecting flights, the "layover" time is only included in the elapsed travel time.

selected by the user.⁴⁹ This is especially true when a GSA city pair fare is not available. According to DOD officials, it is cost prohibitive to obtain the pricing information for non-GSA city pair flights using the current technology.⁵⁰

Although these planned improvements should provide the DOD traveler with better travel information, they still fall short of adequately defining the requirements that should be used for displaying flights. For example, DOD has retained a requirement to display 25 flights for each inquiry. However, it has not determined (1) whether the rationale for that requirement is valid and (2) under what conditions flights that are not part of the GSA city pair program should be displayed. For example, we found that several DTS flights displayed to the user "overlap"⁵¹ other flights. Properly validating the requirements would allow DOD to obtain reasonable assurance that its requirements properly define the functionality needed and the business rules necessary to properly implement that functionality. As previously noted, requirements that are unambiguous and consistent are fundamental to providing reasonable assurance that a system will provide the desired functionality. Until DOD improves DTS requirement management practices, it will not have this assurance.

⁴⁹ According to DOD officials, once the display of pricing information is implemented, the system will require a justification when the lowest cost flight is not selected. This edit would be similar to the edit for GSA city pair fares, which requires the user to provide a justification if a GSA city pair flight is available but not selected. When a user does not select the lowest cost fare, unless it is a GSA city pair fare, the user would be required to provide a justification. A justification is not expected when the user selects a GSA city pair fare rather than a lower cost fare, assuming one is available, which is displayed by DTS because of government policy that encourages the use of the GSA city pair program.

⁵⁰ DOD estimates that the current technological approach—querying the GDS for the prices of the flights displayed to the user—would cost about \$6 million for the 3 million trips that DTS is expected to book each year. DOD did not provide the estimated fees that will be paid for the technology that will enable these prices to be displayed.

⁵¹ For example, DTS displayed a GSA city pair flight between Washington, D.C., and Atlanta, Ga. that departed at 10:05 a.m. and arrived at 1:50 p.m. This flight "overlapped" two other GSA city pair direct flights that were available and required less travel time. One flight left at 10:05 a.m. and arrived at 12:02 p.m. while another left at 11:05 a.m. and arrived at 12:56 p.m. Furthermore, DTS displayed a non-GSA city pair flight that left at 9:20 a.m. and arrived at 1:05 p.m. This flight did not meet any of the acceptable criteria for not using a GSA city pair flight.

Conclusions

Overhauling the department's antiquated travel management practices and systems has been a daunting challenge for DOD. While it was widely recognized that this was a task that needed to be accomplished and savings could result, the underlying assumptions in support of those savings are not based on reliable data and therefore it is questionable whether the anticipated savings will materialize. Even though the overall savings are questionable, the successful implementation of DTS is critical to reducing the number of stovepiped, duplicative travel systems throughout the department. We have reported on numerous occasions that reducing the number of business systems within DOD can translate into savings that can be used for other mission needs. Furthermore, the shift of DTS to BTA, which makes DTS an enterprise-wide endeavor, should help in making DTS the standard integrated, end-to-end travel system for business travel. Management oversight is essential for this to become a reality. Equally important, however, will be the department's ability to resolve the long-standing difficulties that DTS has encountered with its requirements management and system testing. Until these issues are resolved, more complete utilization of DTS will be problematic.

Recommendations for Executive Action

To improve the department's management and oversight of DTS, which has been declared a DOD enterprise business system, we recommend that the Secretary of Defense direct the Under Secretary of Defense (Personnel and Readiness) and the Director, Business Transformation Agency, to jointly take the following four actions:

- Evaluate the cost effectiveness of the Navy continuing with the CTO management fee structure versus adopting the revised CTO fee structure, once the new contracts have been awarded.
- Develop a process by which the military services develop and use quantitative data from DTS and their individual legacy systems to clearly identify the total universe of DTS-eligible transactions on a monthly basis. At a minimum, these data should be used to update the DTS Voucher Analysis Model to report DTS actual utilization rates.
- Require the PMO-DTS to provide a periodic report on the utilization of DTS to the Under Secretary of Defense (Personnel and Readiness) and the Director, Business Transformation Agency, once accurate data are available. The report should continue until the department has reasonable assurance that DTS is operating as intended at all 11,000 locations. The report should identify at a minimum (1) the number of defense locations at which DTS has been deployed, (2) the extent of DTS utilization at these

sites, (3) steps taken or to be taken by the department to improve DTS utilization, and (4) any continuing problems in the implementation and utilization of DTS.

- Resolve inconsistencies in DTS requirements, such as the 25 flight display, by properly defining the (1) functionality needed and (2) business rules necessary to properly implement the needed functionality.

Agency Comments and Our Evaluation

We received written comments on a draft of this report from the Under Secretary of Defense (Personnel and Readiness), which are reprinted in appendix II. DOD concurred with three and partially concurred with one of the recommendations. In regard to the recommendations with which the department concurred, it briefly outlined the actions it planned to take in addressing two of the three recommendations. For example, the department noted the difficulties in obtaining accurate utilization data from the existing legacy systems, but stated that the Office of the Under Secretary of Defense (Personnel and Readiness) and BTA will evaluate methods for reporting actual DTS utilization.

Additionally, DOD noted that the Defense Travel Management Office developed and implemented a requirements change management process on May 1, 2006. In commenting on the report, the department stated that this process is intended to define requirements and track the entire life cycle of the requirements development process. As reiterated in this report, and discussed in our September 2005 testimony and January 2006 report,⁶² effective requirements management has been an ongoing concern, and we fully support the department's efforts to improve its management oversight of DTS's requirements. In this regard, the department needs to have in place a process that provides DOD reasonable assurance that (1) requirements are properly documented and (2) requirements are adequately tested as recommended in our January 2006 report.⁶³ This process should apply to all existing requirements as well as any new requirements. As discussed in this report, we reviewed some of the requirements in May 2006, that were to have followed the new requirements management process, and found problems similar to those noted in our January 2006 report. While we did not specifically review the new process, if it does not include an evaluation of existing requirements,

⁶² GAO-05-998T and GAO-06-18.

⁶³ GAO-06-18.

the department may continue to experience problems similar to those we previously identified.

DOD partially concurred with our recommendation to evaluate the cost effectiveness of the Navy continuing with the CTO management fee structure. DOD stated that all military service secretaries should participate in an evaluation to determine the most cost-effective payment method to the CTOs. DOD's response indicated that the Defense Travel Management Office is currently procuring commercial travel services for DOD worldwide in a manner that will ensure evaluation of cost effectiveness for all services. If DOD proceeds with the actions outlined in its comments, it will meet the intent of our recommendation.

Finally, DOD strongly objected to our finding that the personnel savings are unrealistic. In its comments, the department stated that DOD is facing an enormous challenge and the department continues to identify efficiencies and eliminate redundancies to help leverage available funds. We fully recognize that the department is attempting to improve the efficiency and effectiveness of its business operations. In fact, the Comptroller General of the United States testified in August 2006 that increased commitment by the department to address DOD's numerous challenges represents an improvement over past efforts.⁴

The fact remains, however, that the results of an economic analysis are intended to help management decide if future investments in a given endeavor are worthwhile. In order to provide management with this information it is imperative that the underlying assumptions in an economic analysis be supported by valid assumptions. The September 2003 economic analysis noted that personnel savings of \$54.1 million, as shown in table 2 of this report, would be realized by the department annually for fiscal years 2009 through 2016. However, based upon our review and analysis of documentation and discussion with department personnel we found that the underlying assumptions in support of the \$54.1 million were not valid.

Furthermore, as noted in the report Air Force and Navy DTS program officials stated that they did not anticipate a reduction in the number of

⁴ GAO, *Department of Defense: Sustained Leadership Is Critical to Effective Financial and Business Management Transformation*, GAO-06-1006T (Washington, D.C.: Aug. 3, 2006).

personnel with the full implementation of DTS. Further, as discussed in the report, the Naval Cost Analysis Division review of the DTS economic analysis noted that approximately 40 percent of the Navy's total costs, including personnel costs, in the DTS life-cycle cost estimates could not be validated because credible supporting documentation was lacking.

The report does note that Air Force and Navy DTS program officials noted that while they did not anticipate a reduction in the number of personnel, there would be a shifting of personnel to other functions. The report further points out that DOD officials responsible for reviewing economic analyses stated that while shifting personnel to other functions is considered a benefit, it should be considered an intangible benefit rather than tangible dollar savings since the shifting of personnel does not result in a reduction of DOD expenditures. Additionally, in its comments the department provided no new data that was counter to our finding.

We are sending copies of this report to the Secretary of Defense; Under Secretary of Defense (Comptroller); the Under Secretary of Defense for Acquisition, Technology, and Logistics; the Under Secretary of Defense (Personnel and Readiness); the Director, Business Transformation Agency; and the Director, Office of Management and Budget. Copies of this report will be made available to others upon request. In addition, the report is available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staff have any questions on matters discussed in this report, please contact McCoy Williams at (202) 512-9095 or williamsm1@gao.gov or Keith A. Rhodes at (202) 512-6412 or rodesk@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found

on the last page of this report. Key contributors to this report are listed in appendix III.

McCoy Williams

McCoy Williams
Director
Financial Management and Assurance



Keith A. Rhodes
Chief Technologist
Applied Research and Methods
Center for Technology and Engineering

List of Congressional Addressees

The Honorable John Warner
Chairman
The Honorable Carl Levin
Ranking Minority Member
Committee on Armed Services
United States Senate

The Honorable Ted Stevens
Chairman
The Honorable Daniel K. Inouye
Ranking Minority Member
Subcommittee on Defense
Committee on Appropriations
United States Senate

The Honorable Susan M. Collins
Chairman
The Honorable Joseph I. Lieberman
Ranking Minority Member
Committee on Homeland Security and Governmental Affairs
United States Senate

The Honorable Duncan L. Hunter
Chairman
The Honorable Ike Skelton
Ranking Minority Member
Committee on Armed Services
House of Representatives

The Honorable C. W. Bill Young
Chairman
The Honorable John P. Murtha
Ranking Minority Member
Subcommittee on Defense
Committee on Appropriations
House of Representatives

The Honorable Tom Davis
Chairman
The Honorable Henry A. Waxman
Ranking Minority Member
Committee on Government Reform
House of Representatives

The Honorable Norm Coleman
Chairman
Permanent Subcommittee on Investigations
Committee on Homeland Security and Governmental Affairs
United States Senate

The Honorable Tom Coburn
Chairman
Subcommittee on Federal Financial Management, Government
Information and International Security
Committee on Homeland Security and Governmental Affairs
United States Senate

Appendix I: Scope and Methodology

To assess the reasonableness of the key assumptions made by DOD to arrive at the net annual estimated savings of over \$56 million shown in the September 2003 economic analysis addendum, we (1) ascertained if the economic analysis was prepared in accordance with the prescribed standards, (2) analyzed two key assumptions that represent the largest dollar savings for the DTS program, and (3) analyzed the supporting documentation related to these two assumptions to determine whether the assumptions were valid. Furthermore, we met with the military services and DFAS officials to ascertain their specific concerns with the estimated savings. Further, we met with Program Analysis and Evaluation officials to identify any issues they had with the DTS estimated savings. In performing this body of work, we relied heavily upon the expertise of our Applied Research and Method's Center for Economics.

To determine the actions being taken to enhance the utilization of DTS, we met with military services officials to obtain an understanding of the specific actions that were being taken. In addition, we obtained and reviewed various memorandums related to the utilization of DTS. We also obtained an overview of the method and data used by the PMO-DTS to report the rate of DTS utilization for the various DOD components. We also met with the military services to ascertain how they use the PMO-DTS data to monitor their respective utilization and whether they augment these data with any other data and if so, the source of those data.

To ascertain whether DOD has reasonable assurance that the testing of DTS was adequate, and thereby ensure accurate flight information was displayed, we met with Northrop Grumman and the PMO-DTS officials to obtain an explanation of the corrective actions that were to have been implemented. To ascertain if the noted corrective actions have been successfully implemented, we analyzed 246 GSA city pair flights to determine if the information being displayed to the traveler was consistent with DTS's stated requirement.

We did not review the accuracy and reliability of the specific dollar amounts shown in the September 2003 economic analysis. Given the department's previously reported problems related to financial management,¹ we have no assurance that the underlying data supporting the economic analysis were complete. Furthermore, our emphasis was directed more towards the validity of the assumptions that were used to

¹ GAO, *High-Risk Series: An Update*, GAO-05-207 (Washington, D.C.: Jan. 2005).

Appendix I: Scope and Methodology

arrive at the net annual estimated savings of over \$56 million. We determined that the data were sufficiently reliable for the purpose of this audit. We performed our audit work from October 2005 through July 2006 in accordance with U.S. generally accepted government auditing standards.

We requested comments on a draft of this report from the Secretary of Defense or his designee. We received written comments from the Under Secretary of Defense (Personnel and Readiness), which are reprinted in appendix II.

Appendix II: Comments from the Department of Defense


UNDER SECRETARY OF DEFENSE
 4000 DEFENSE PENTAGON
 WASHINGTON, DC 20301-4000

PERSONNEL AND READINESS

SEP 01 2006

Mr. McCoy Williams
 Director, Financial Management and Assurance
 U.S. Government Accountability Office
 441 G Street, N.W.
 Washington, DC 20548

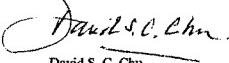
Dear Mr. Williams:

This is the Department of Defense response to the Government Accountability Office draft report GAO-06-980, "DEFENSE TRAVEL SYSTEM: Reported Savings Questionable and Implementation Challenges Remain," dated July 28, 2006 (GAO Code 195072). The Department's comments are enclosed.

I strongly object to the study's finding that "personnel savings are unrealistic" merely because savings were applied to compelling, unfunded needs. The Department is facing an enormous challenge and must successfully prosecute today's war while still making investments that safeguard the future. Recognizing fiscal constraints, the Department continues to identify efficiencies and eliminate redundancies to help leverage available funds. For example, we are growing a larger and more capable Special Forces capability – without a net increase in manpower. This finding, if accepted, would disincentivize the very institutional behavior we should all actively promote.

The Department appreciates the opportunity to comment. For questions concerning this report, please contact Ms. Margaret Hebert, Defense Travel Management Office, at (703) 696-6795.

Sincerely,


 David S. C. Chu

Enclosures:
 As stated

Appendix II: Comments from the Department
of Defense

GAO DRAFT REPORT DATED JULY 28, 2006
GAO-06-980 (GAO CODE 195072)

"DEFENSE TRAVEL SYSTEM REPORTED SAVINGS
QUESTIONABLE AND IMPLEMENTATION CHALLENGES
REMAIN"

DEPARTMENT OF DEFENSE COMMENTS
TO THE GAO RECOMMENDATIONS

RECOMMENDATION 1: The GAO recommended that the Secretary of Defense direct the Under Secretary of Defense (Personnel and Readiness) and the Director, Business Transformation Agency, to evaluate the cost effectiveness of the Navy continuing with the Commercial Travel Office (CTO) management fee structure versus adopting the revised CTO fee structure, once the new contracts have been awarded. (p. 43/GAO Draft Report)

DOD RESPONSE: Partially concur. Recommendation should direct the Under Secretary of Defense (Personnel and Readiness), the Director, Business Transformation Agency, and the Service Secretaries to evaluate all methods to determine the most cost effective payment of Commercial Travel Office fees. Evaluation should not be specific to one method and/or one Service.

The Defense Travel Management Office (DTMO) is currently procuring Commercial Travel Services for DoD worldwide. The procurement process will ensure evaluation of cost effectiveness for all Services.

Using an indefinite delivery, indefinite quantity procurement vehicle, vendors will be placed on contract based on evaluation of their management and transaction fees. Vendors placed on contract can then bid on the DoD task orders. During the evaluation for task order award, fees will also be evaluated to determine best value and the appropriate business model for each of the task orders. The DTMO anticipates contact awards in the first quarter FY07 and task order awards beginning the third quarter FY07.

RECOMMENDATION 2: The GAO recommended that the Secretary of Defense direct the Under Secretary of Defense (Personnel and Readiness) and the Director, Business Transformation Agency, develop a process by which the military services develop and use quantitative data from Defense Travel System (DTS) and their individual legacy systems to clearly identify the total universe of DTS-eligible transactions on a monthly basis. At a minimum, these data should be used to update the DTS Voucher Analysis Model to report DTS actual utilization rates. (p. 43/GAO Draft Report)

Appendix II: Comments from the Department
of Defense

DOD RESPONSE: Concur. Updated data should be used in the DTS Voucher Analysis Model when utilization rates are reported. However, obtaining quantitative data for the individual legacy systems involves a labor and manually intensive analysis. Significant additional resources would be required.

The Office of the Under Secretary of Defense (Personnel & Readiness) and the Business Transformation Agency will evaluate methods for reporting actual DTS utilization.

RECOMMENDATION 3: The GAO recommended that the Secretary of Defense direct the Under Secretary of Defense (Personnel and Readiness) and the Director, Business Transformation Agency, to require the PMO-DTS to provide a periodic report on the utilization of DTS to the Under Secretary of Defense (Personnel and Readiness) and the Director, Business Transformation Agency, once accurate data are available. (p. 43/GAO Draft Report)

DOD RESPONSE: Concur.

RECOMMENDATION 4: The GAO recommended that the Secretary of Defense direct the Under Secretary of Defense (Personnel and Readiness) and the Director, Business Transformation Agency, to resolve inconsistencies in DTS requirements, such as the 25 flight display, by properly defining the (1) functionality needed and (2) business rules necessary to properly implement the needed functionality. (p. 43/GAO Draft Report)

DOD RESPONSE: Concur. The newly established DTMO has developed and implemented a well-defined requirements change management process. The change management process defines requirements and tracks the entire life cycle of the requirements development to include a follow-on impact study of released functionalities. This change management process was implemented on 1 May 2006.

Appendix III: GAO Contacts and Staff Acknowledgments

GAO Contacts	McCoy Williams, (202) 512-9095 or williamsm1@gao.gov Keith A. Rhodes, (202) 512-6412 or rhodesk@gao.gov
Acknowledgments	In addition to the above contacts, the following individuals made key contributions to this report: Darby Smith, Assistant Director; J. Christopher Martin, Senior-Level Technologist; F. Abe Dymond, Assistant General Counsel; Beatrice Alff; Harold Brumm, Jr.; Francine DelVecchio; Jason Kelly; and Tarunkant Mithani.



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

MAY 11 2006

The Honorable Norm Coleman
Chairman
Permanent Subcommittee on Investigations
Committee on Homeland Security and
Governmental Affairs
United States Senate
Washington, D.C. 20510-6262

Dear Mr. Chairman:

This letter is in further response to your August 11, 2005, request for "a full, complete, and independent performance and cost benefit evaluation of the Defense Travel System to determine if it is the most cost-effective solution to DoD's travel needs."

On May 9, 2006, our office met with Mr. Jay Jennings of your staff, and Mr. Peter Levine of Senator Carl Levin's staff, to update them on the progress of meeting our audit objectives and providing a cost benefit evaluation of the Defense Travel System.

We informed Messrs. Jennings and Levine that the underlying data, including costs related to the Department's previous travel process, as well as Defense Travel System investment and operation costs, necessary to support the development of a cost benefit evaluation for the Defense Travel System was not adequately supported or always available. As a result, without a validated baseline to determine savings, we can not complete your request to develop a cost benefit evaluation of the Defense Travel System. However, we stated that we were beginning the process of preparing a draft report on additional issues pertaining to the System we identified during audit work, and will forward a copy of the final report to you upon completion.

Should you have any questions regarding this matter, please contact me at (703) 604-8324.

Sincerely,

John R. Crane
Assistant Inspector General
Communications and Congressional Liaison

cc: The Honorable Carl Levin
Ranking Minority Member

<u>Permanent Subcommittee on Investigations</u>
EXHIBIT #5



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

AUG 24 2006

The Honorable Norm Coleman
Chairman
Permanent Subcommittee on Investigations
Committee on Homeland Security and
Governmental Affairs
United States Senate
Washington, D.C. 20510-6262

Dear Mr. Chairman:

This letter is in further response to your August 11, 2005, request for "a full, complete, and independent performance and cost benefit evaluation of the Defense Travel System to determine if it is the most cost-effective solution to DoD's travel needs."

We met with Mr. Jennings and Mr. Peter Levine of Senator Carl Levin's staff on May 9, 2006, updating your staff on the status of our work. On May 11, 2006, we sent you a letter informing you that we could not complete your request to develop a cost benefit evaluation of the Defense Travel System. Since that time, we have continued preparing a draft report that addresses this issue and additional issues pertaining to the System we identified during audit work. We will forward a copy of the final report to you upon completion.

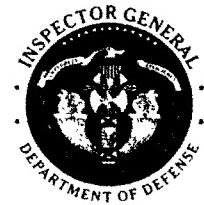
Should you have any questions regarding this matter, please contact me at (703) 604-8324.

Sincerely,

John R. Crane
Assistant Inspector General
Communications and Congressional Liaison

cc: The Honorable Carl Levin
Ranking Minority Member

November 13, 2006



Information Technology Management

**Management and Use of the Defense
Travel System
(D-2007-024)**

**Department of Defense
Office of Inspector General**

Constitution of
the United States

A Regular Statement of Account of the Receipts and Expenditures of all public
Money shall be published from time to time.

Article I, Section 9

Permanent Subcommittee on Investigations

EXHIBIT #6

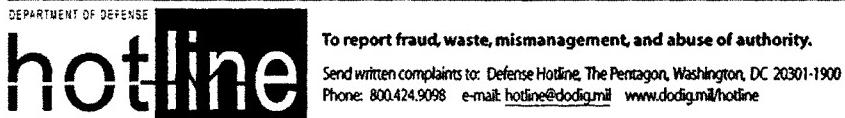
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To suggest ideas for or to request future audits, contact the Office of the Deputy Inspector General for Auditing at (703) 604-8940 (DSN 664-8940) or fax (703) 604-8932. Ideas and requests can also be mailed to:

ODIG-AUD (ATTN: Audit Suggestions)
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400 Army Navy Drive (Room 801)
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Acronyms

DFAS	Defense Finance and Accounting Service
DISA	Defense Information Systems Agency
DLA	Defense Logistics Agency
DoD OIG	Department of Defense Office of Inspector General
DTMO	Defense Travel Management Office
DTS	Defense Travel System
GAO	Government Accountability Office
MID 921	Management Initiative Directive 921
OMB	Office of Management and Budget
PMO	Program Management Office
TDY	Temporary Duty Travel



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

November 13, 2006

MEMORANDUM FOR DISTRIBUTION

SUBJECT: Report on Management and Use of the Defense Travel System
(Report No. D-2007-024)

We are providing this report for review and comment. We performed the audit in response to a congressional request from the Chairman, Permanent Subcommittee on Investigations, Committee on Homeland Security and Governmental Affairs. We considered management comments on a draft of this report when preparing the final report.

DoD Directive 7650.3 requires that all issues be resolved promptly. The Under Secretary of Defense (Comptroller)/Chief Financial Officer, the Under Secretary of Defense for Personnel and Readiness, and the Program Director, Defense Travel System did not provide comments on a draft of this report. Therefore, we request that they comment on the final report by January 12, 2007. As a result of management comments, we revised draft Recommendation A.4. Therefore, we request that the Director, Program Analysis and Evaluation comment on Recommendation A.4. by January 12, 2007. We also revised draft Recommendations B.1.a., B.1.b., and B.2. and deleted Recommendation B.1.c. to reflect provisions of Public Law 109-364, enacted on October 17, 2006. We request that the Under Secretary of Defense for Personnel and Readiness and the Program Director, Defense Travel System provide comments on Recommendations B.1.a., B.1.b., and B.2. by January 12, 2007.

If possible, please send management comments in electronic format (Adobe Acrobat file only) to Auddfs@dodig.osd.mil. Copies of the management comments must contain the actual signature of the authorizing official. We cannot accept the / Signed / symbol in place of the actual signature. If you arrange to send classified comments electronically, they must be sent over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Questions should be directed to Mr. Michael Perkins at (703) 325-3557 (DSN 221-3557) or Mr. Sean J. Keaney at (703) 428-1448 (DSN 328-1448). See Appendix I for the report distribution. The team members are listed inside the back cover.

By direction of the Deputy Inspector General for Auditing:

Paul J. Granetto, CPA
Assistant Inspector General and Director
Defense Financial Auditing Service

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Department of Defense Office of Inspector General

Report No. D-2007-024
(Project No. D2005-D000FB-0311)

November 13, 2006

Management and Use of the Defense Travel System**Executive Summary**

Who Should Read This Report and Why? DoD Component Comptrollers, Defense Travel Administrators, DoD travelers, and Service and Defense agency managers should read this report. The report discusses the Department's effort to implement the Defense Travel System (DTS) and transform its travel process.

Background. We performed this audit in response to a congressional request from the Chairman, Permanent Subcommittee on Investigations, Committee on Homeland Security and Governmental Affairs. The Chairman's letter questioned whether DTS had realized the previously anticipated benefits in efficiency. DoD had envisioned DTS as a general support system designed to make business travel quicker, easier, and more efficient by providing automated commercial and Government travel support services to DoD travelers. In fact, DTS was expected to represent the 21st century model of efficiency and service, featuring the best practices in industry.

DTS has evolved into a web-based, electronic, end-to-end travel management system that leverages commercial travel management products and accelerates travel processing. On May 28, 2002, the Assistant Secretary of Defense for Networks and Information Integration designated DTS as a major automated information system (Acquisition Category IAM Program). On October 18, 2004, the Deputy Secretary of Defense designated the Under Secretary of Defense for Personnel and Readiness as the functional proponent for travel management within the Department, to include DTS.

Results. The DTS Program Management Office, Services, and Defense agencies could not provide documentation that substantiated all DTS, legacy system, and travel-related data necessary to evaluate the cost-effectiveness of the DTS Program. As a result, the Department continues to make management decisions based on unsubstantiated data and to allocate resources to the DTS Program without the ability to measure projected benefits (finding A).

Not all Components within the Services and Defense agencies were using DTS to support routine temporary duty travel at sites where DTS had been deployed. Specifically, 5 of 27 sites we visited were not using DTS, and the remaining sites continued to sometimes use legacy travel systems to process and support routine temporary duty travel. As a result, the Department has not realized the full benefits of using DTS (finding B).

A formal reporting process and DoD-wide transformation strategy would improve DTS management and increase its use while correcting the management control weaknesses we identified during the audit. However, results of an upcoming DTS study required by section 943 of Public Law 109-364, "John Warner National Defense Authorization Act

for FY 2007," will determine how the Department implements recommendations made in this report. (See the Finding section of the report for detailed recommendations.)

Management Comments and Audit Response. The Under Secretary of Defense (Comptroller)/Chief Financial Officer, the Under Secretary of Defense for Personnel and Readiness, and the Program Director, DTS Program Management Office did not comment on an October 13, 2006, draft of this report. The Director, Indianapolis Operations partially concurred with implementing a process to reconcile travel voucher payment data recorded in the disbursing systems to the data recorded in e-Biz. His office will assist the Defense Finance and Accounting Service e-Biz office to address travel voucher payment discrepancies. Defense Finance and Accounting Service comments were partially responsive but did not address whether a permanent process would be implemented or how discrepancies would be resolved. And not all organizations within the Defense Finance and Accounting Service responsible for reconciling travel voucher data provided comments.

The Director, Program Analysis and Evaluation nonconcurred with revising the "Unofficial Guide for the Economic Analysis of Defense Information Technology Investments" to ensure it included a requirement for auditable data. He stated that the Unofficial Guide has never been formally issued and that the Department already has formal guidance on developing an economic analysis. In addition, he inferred that the report blamed use of the Unofficial Guide for unsubstantiated DTS travel cost data. The comments were partially responsive. The Unofficial Guide had not been officially issued, and we clarified the report to reflect that it does not constitute official DoD guidance. We did not mean to imply that DTS and travel-related cost data could not be audited because the DTS PMO used the Unofficial Guide. The report recognizes the fact that the Department has a history of being unable to validate its travel cost data. Although DoD Instruction 7041.3, "Economic Analysis for Decision-making," November 7, 1995, prescribes general requirements for developing an economic analysis, to include using auditable data, the Unofficial Guide provides detailed descriptions and specific information that could further implement DoD Instruction 7041.3. In the past, the Department used the Unofficial Guide as a supplemental source of instruction to prepare an economic analysis. In light of that, we request that the Director, Program Analysis and Evaluation reconsider his position and issue the Unofficial Guide as implementing guidance to DoD Instruction 7041.3. A discussion of management comments is in the Finding section of the report and the complete text is in the Management Comments section.

We request that the Under Secretary of Defense (Comptroller)/Chief Financial Officer; the Under Secretary of Defense for Personnel and Readiness; the Director, Program Analysis and Evaluation; the Director, Defense Finance and Accounting Service; and the Program Director, DTS comment on the final report by January 12, 2007.

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Background

This audit was performed in response to a congressional request from the Chairman, Permanent Subcommittee on Investigations, Committee on Homeland Security and Governmental Affairs. See Appendix B for Senator Coleman's official request and Appendix G for a glossary of terms used in the report.

Reengineering DoD Travel. The 1993 National Performance Review identified travel as an area of DoD that required reengineering. The DoD Task Force to Reengineer Travel was established in June 1994 to conduct a comprehensive and systematic review of the DoD travel network using a "clean sheet of paper" approach. The DoD Task Force to Reengineer Travel concluded that the DoD travel process was fragmented, inefficient, expensive to administer, and occasionally impeded mission accomplishments. Therefore, DoD management directed the Task Force to "create a fair and equitable temporary duty travel (TDY) system for all DoD organizations" that will:

- meet operational mission requirements,
- improve service to the customers of the system, and
- reduce overall cost to the Government.

The Defense Travel System (DTS) Program Management Office (PMO) was established in 1995 to acquire travel services. The Department expected DTS to represent the 21st century model of efficiency and service, featuring the best practices in industry. The DTS PMO envisioned the System supporting all forms of business TDY through a single, paperless travel system, available to users 24 hours a day and 7 days a week. In addition, the DTS PMO designed DTS to interface with DoD accounting and disbursing systems to increase the speed with which DoD travelers receive payment to settle vouchers. DTS is now a web-based, electronic, end-to-end travel management system that leverages commercial travel management products and accelerates travel processing. The Addendum to the 2003 DTS Economic Analysis, September 2, 2003, reports total DTS Investment and Operation and Support costs of \$2.24 billion.¹

DoD Report on DTS. On July 1, 2002, the DoD Office of Inspector General (DoD OIG) issued Report No. D-2002-124, "Allegations to the Defense Hotline on the Management of the Defense Travel System," stating that DTS remained a program at high risk of not being an effective solution to streamlining the DoD travel management process. The report concluded that the Program was not being managed as a major automated information system and was being substantially developed without the requisite requirements; cost, performance, and schedule documents; and analyses needed as the foundation for assessing the effectiveness of the System and its return on investment. The Under Secretary of Defense (Comptroller)/Chief Financial Officer agreed with the intent of the report's

¹The \$2.24 billion DTS Program costs include only DTS Investment and DTS Operation and Support costs for the entire lifecycle of the Program. Costs related to maintaining legacy systems and supporting the travel process with legacy systems are not included in this total.

recommendation to improve oversight of the DTS Program by managing the System as an Acquisition Category IAM program. In addition, the Under Secretary tasked the Director, Program Analysis and Evaluation to complete a cost-effectiveness study to determine whether the DTS Program should continue or be terminated.

Objectives

Our audit objectives were to answer congressional questions about whether DTS has achieved the cost savings initially envisioned. We also wanted to determine whether actions taken in response to a previous DoD OIG audit report achieved the results intended by the recommendations, that is, whether the System is used DoD-wide; supports mission requirements; and provides a quicker, easier, and more efficient means of Government travel. We reviewed the management control program as it relates to the overall objectives. See Appendix A for a discussion of the scope and methodology and prior coverage related to our objectives.

Review of Internal Controls

We identified material internal control weaknesses for the DTS PMO as defined by DoD Instruction 5010.40, "Managers' Internal Control (MIC) Program Procedures," January 4, 2006.² We evaluated DTS PMO internal controls and management's self-evaluation of internal controls over mission accomplishments, including system acquisition, system deployment, system operations, commercial travel management, acquisition compliance and reporting, budgeting, and contracting. Specifically, we reviewed the DTS PMO business processes and procedures used for meeting critical functionality requirements, deployment schedules, and updated lifecycle cost estimates. Management's self-evaluation identified some of the same weaknesses identified in this report. However, management did not provide an adequate plan to correct those weaknesses specifically identified by this audit, including delays in deploying DTS and meeting critical functionality in planned releases.

The Department continues to deploy DTS and fund the Program; however, it has done so without having a formal reporting process and overall travel management strategy in place to ensure it effectively accomplishes its mission to transform the Department's TDY process. Recommendations A.1. and B.1., if implemented, should correct the weaknesses. A copy of the report will be sent to the senior official in charge of management controls in the DTS PMO, the Business Transformation Agency, and the Office of the Under Secretary of Defense for Personnel and Readiness.

²Our review of internal controls was done under the auspices of DoD Directive 5010.38, "Management Control (MC) Program," August 26, 1996, and DoD Instruction 5010.40, "Management Control (MC) Program Procedures," August 28, 1996. DoD Directive 5010.38 was canceled on April 3, 2006. DoD Instruction 5010.40, "Managers' Internal Control (MIC) Program Procedures," was reissued on January 4, 2006.

A. Cost Benefit Evaluation of the Defense Travel System

The DTS PMO, Services, and Defense agencies could not provide documentation that substantiated all DTS, legacy system, and travel-related data necessary to validate the cost-effectiveness of the DTS Program. The lack of underlying support necessary to develop a cost benefit evaluation results from the Department's lack of a formal reporting process that would enable it to effectively capture, support, and validate all travel-related cost data. Without a validated cost benefit evaluation, the Department cannot fully justify allocation of funds to DTS or measure DTS economies and benefits against projected benefits.

Guidance for Developing a Cost Benefit Evaluation

Cost benefit evaluations allow managers to identify requirements and concentrate resources in the most effective ways. Federal and DoD guidance supports development of cost benefit evaluations and helps managers make well-informed decisions whether to continue programs. The guidance identifies key information and elements to address in preparing a cost benefit evaluation, as well as documentation necessary to support a sound decision-making process. For instance, Office of Management and Budget (OMB) Circular A-94, "Guidelines and Discount Rates For Benefit-Cost Analysis of Federal Programs," October 29, 1992, serves as a checklist for an agency to determine whether it has considered and properly dealt with all the elements for sound decision-making. It also states that quantifiable (tangible) and non-quantifiable (intangible) benefits and costs should be recognized and included in the analysis.

DoD Instruction 7041.3, "Economic Analysis for Decision-making," November 7, 1995, (The Instruction) implements OMB Circular A-94, provides policy, and identifies responsibilities and procedures for conducting a cost benefit evaluation to evaluate investment alternatives. The Instruction applies to the evaluation of decisions for the acquisition of automated information systems. The Instruction states that to achieve a systematic evaluation, the economic analysis process should identify each feasible alternative for meeting an objective and the alternative's lifecycle costs and benefits. The Instruction also states that methods of documentation used to record and summarize cost and benefit information may vary between the DoD Components; however, DoD Components are encouraged to "standardize," when possible, format and documentation requirements to ensure consistent and complete economic analysis submissions. In addition, the Instruction states that automated tools and data sources should be used to reduce paperwork and provide an audit trail of the costs and benefits identified in the analysis.

OMB Circular A-94 and DoD Instruction 7041.3 address critical components necessary to develop a cost benefit evaluation, including:

- rationale for completing a cost benefit evaluation, which may be justified if the program improves the efficiency of the Government's internal operations, such as cost-saving investments;
- assumptions, which include rationale and a review of their strengths and weaknesses, that identify the underlying process used to arrive at estimates of future benefits and costs;
- alternatives that should identify additional means of achieving the program's objectives;
- verification, through the use of studies, to determine whether anticipated benefits and costs have been realized and are achievable by periodically assessing the program's effectiveness;
- sensitivity analyses that should address uncertainties of the program and their potential impact on the program's results; and
- results and recommendations, based on the benefits and costs of the various alternatives, that justify the decision-maker moving forward with the program.

Unofficial Guide for Developing an Automated Information System Economic Analysis. The Office of the Director, Program Analysis and Evaluation, Office of the Secretary of Defense, developed the "Unofficial Guide for the Economic Analysis of Defense Information Technology Investments," (Unofficial Guide) 1995 Version, to assist DoD Components in developing, reviewing, and validating economic analyses for DoD automated information system acquisition programs that are predominantly supported by commercial off-the-shelf hardware, software, and other infrastructure. The Unofficial Guide states that an economic analysis of automated information systems is required to determine the best program acquisition alternative to the Government. It states that the best alternative is one that generally meets critical mission requirements at the lowest lifecycle cost, or provides the most advantageous return on investment. However, the Unofficial Guide has not been officially issued by the Department. Therefore, it is not recognized as DoD guidance.

The DTS PMO, Services, and Defense agencies used the Unofficial Guide and OMB Circular A-94 as their basis for developing the 2003 DTS Economic Analysis and the subsequent Addendum. In addition, the Unofficial Guide is not consistent with OMB and DoD policy. It does not require validation of all sources of data prior to inclusion in an economic analysis, nor does it require an audit trail. Findings in this report reflect the inadequacies of an economic analysis done without validating data. Therefore, because the Unofficial Guide continues to be used within the Department, the Director, Program Analysis and Evaluation should issue the Unofficial Guide *as implementing guidance* to DoD Instruction 7041.3 for preparing a cost benefit analysis.

Availability of Cost Data and Supporting Documentation

The DTS PMO, Services, and Defense agencies could not provide documentation that substantiated all DTS Investment and Operation and Support, legacy system, and Status Quo³ costs necessary for validating projected savings and the cost-effectiveness of the DTS Program. The Department could not provide invoices, contracts, Military Interdepartmental Purchase Requests, system-generated reports from DoD budget and accounting systems, memorandums, or studies that supported all FY 2003 through FY 2005 travel-related data. In addition, the Navy and Marine Corps stated that documentation necessary to support any DTS and legacy system costs for FY 1996 through FY 2002 was no longer available. Cost data amounts related here have been rounded for ease in discussion.

DTS Investment Cost Data

The DTS “Cost Analysis Requirements Description,” November 22, 2002, defines DTS Investment cost data as all costs to the Government to fully implement DTS and sustain a fully operational status at all the required high-volume sites. DTS investment costs began at the inception of the Program and will continue through complete fielding (full operational capability).

DTS PMO Submission. The DTS PMO provided DTS Investment cost data for FY 2003 through FY 2005; however, the documentation it provided did not substantiate the validity of all FY 2005 cost data.

Service Submissions. The Army, Navy, Air Force, and Marine Corps provided DTS Investment cost data for FY 2003 through FY 2005. However, the Services either did not provide source documentation or the documentation they provided did not substantiate the costs they reported during FY 2005. For instance, the Army did not provide documentation and the Navy provided only partial documentation. The Air Force and Marine Corps provided documentation; however, it did not always support the cost data they reported.

Defense Agency Submissions. DFAS, the Defense Logistics Agency (DLA), and the Defense Information Systems Agency (DISA) did not report any DTS Investment costs for FY 2003 through FY 2005. DFAS representatives initially stated they would take responsibility for providing cost data for all Defense agencies because they originally provided the same data for the 2003 DTS Economic Analysis. However, 3 weeks into the data call DFAS stated that it would only provide DFAS information and would no longer provide DTS and legacy system cost data for any other Defense agency. DFAS, DLA, and DISA have O-6 Representatives (military or civilians of various ranks or grades) to serve as centralized focal points for resolving DTS issues and coordinating DTS

³Status Quo represents the set of manual activities and partially automated systems that previously supported the Department's TDY process. It also represents the cumulative cost of supporting the previous travel process which did not include a standard set of activities, processes, or systems.

information, to include cost data. The remaining Defense agencies have not appointed DTS O-6 Representatives. As a result, we were unable to obtain DTS Investment cost data from any other Defense agency.

DoD OIG Audit of DTS Investment Costs. We audited FY 2005 data to determine whether we could validate all DTS Investment cost data reported by the DTS PMO, Services, and DFAS, DLA, and DISA for that year. Table C1 (in Appendix C) shows FY 2003 through FY 2005 DTS Investment cost data provided by the DTS PMO, and the Services (DFAS, DLA, and DISA did not report any DTS Investment costs for this period). The DTS PMO and Services reported \$58.44 million in DTS Investment costs for FY 2005; however, they could support only \$47.31 million (81 percent) of those costs. As a result, \$11.13 million in FY 2005 DTS Investment costs were not adequately supported. Support documentation the DTS PMO and Services provided for FY 2003 and FY 2004 was very limited. Therefore, we discontinued auditing FY 2003 and FY 2004 DTS Investment cost data.

DTS Operations and Support Cost Data

The DTS PMO, Services, and Defense agencies also were unable to substantiate all FY 2005 DTS Operation and Support costs. The DTS "Cost Analysis Requirements Description" defines DTS Operation and Support costs as costs to manage and maintain hardware and software to sustain operations throughout the lifecycle of the DTS Program. DTS Operation and Support costs include all costs to sustain it once the Department achieves full operating capability.

DTS PMO Submission. The DTS PMO provided DTS Operation and Support cost data for FY 2003 through FY 2005 and documentation that substantiated all FY 2005 cost data.

Service Submissions. The Army and Air Force provided DTS Operation and Support cost data for FY 2003 through FY 2005. The Navy and Marine Corps provided cost data for only FY 2004 and FY 2005. However, the Services did not provide source documentation, or the documentation they provided did not support the costs they reported during FY 2005. As with DTS Investment cost data, the Army did not provide DTS Operation and Support documentation, the Navy provided only partial documentation, and although the Air Force and Marine Corps provided documentation for the costs they reported during FY 2005, that documentation did not always substantiate the cost data they reported. To further cloud the issue, the Services used different types of data and different methodologies when calculating DTS Operation and Support costs.

Inconsistencies in the Type of Data Reported. The Services did not always report DTS commercial travel office fees, voucher pay, and voucher computation costs even though they used DTS. The Navy O-6 Representatives stated those costs were generally included in legacy system costs and were not separated to reflect the costs resulting from DTS implementation. The Marine

Corps, for example, did not report that it incurred system operation costs for FY 2005. However, according to the Deputy Director of DTS PMO, all Services incur this type of cost.

Inconsistencies in the Methodology Used for Calculating Cost Data. The methodology used to derive program management costs varied between the Navy, Air Force, and Marine Corps. In an October 20, 2003, memorandum, "Defense Travel System (DTS) Acquisition Program Baseline Comments," the Principal Deputy Director, Program Analysis and Evaluation stated that inconsistent methodologies related to personnel costs, which comprise program management costs, existed in the 2003 DTS Economic Analysis. The memorandum further stated that those inconsistencies limited the Department's ability to provide a solid basis for its calculations. For example, the Air Force program management cost element was based on the Air Force Instruction 65-503, "Financial Management," February 4, 1994, Table A31-1, "Air Force Civilian Base Pay Acceleration Factors." According to Air Force personnel, they use periodically updated information in that table to calculate personnel costs. This methodology, in itself, is a valid basis for determining program management salaries. However, those rates include the cost of non-quantifiable benefits, such as medical and leave, which were not used by the Marine Corps when reporting data for the same cost element. Because the Marine Corps did not include those factors in their calculations, the salary data they provided is lower than salaries identified by the Air Force for the same grade and rank. In addition, the Navy O-6 Representative stated that her salary was not included in the program management cost element because she performs a variety of tasks and is not dedicated to supporting DTS full time. The Navy, Air Force, and Marine Corps continue using different methodologies to determine program management costs for performing the same functions.

Defense Agency Submissions. DFAS and DLA provided DTS Operation and Support cost data for FY 2003 through FY 2005, but DISA provided cost data for only FY 2004 and FY 2005. However, documentation did not adequately support the costs they reported during FY 2005. We did not receive DTS Operation and Support cost data from any other Defense agency.

DoD OIG Audit of DTS Operation and Support Costs. We audited FY 2005 DTS Operation and Support cost data to determine whether we could validate all cost data reported by the DTS PMO, Services, DFAS, DLA, and DISA for that year. Table C2 (Appendix C) shows FY 2003 through FY 2005 DTS Operation and Support cost data provided by the DTS PMO, Services, DFAS, DLA, and DISA. The DTS PMO, Services, DFAS, DLA, and DISA reported \$44.05 million in DTS Operation and Support costs for FY 2005; however, they could only support \$7.32 million (17 percent) of those costs. Therefore, \$36.73 million in FY 2005 DTS Operation and Support costs were not adequately supported. The supporting documentation provided by the Services, DFAS, DLA, and DISA for FY 2003 and FY 2004 was very limited. Therefore, we discontinued auditing FY 2003 and FY 2004 DTS Operation and Support cost data.

Legacy System Cost Data

The Services and Defense agencies were unable to support all reported FY 2005 legacy system costs. The Cost Analysis Requirements Description defines legacy system costs (Status Quo phase out) as costs incurred to manage, support, and maintain day-to-day operations of the previous travel systems and processes as they run parallel to phasing in DTS. Legacy system costs include personnel costs, the cost to process and compute vouchers (voucher process and compute costs), any projected hardware replacements, and all maintenance for existing hardware and software. Those costs began prior to DTS initial operating capability at the start of FY 2004 and will continue through full operating capability.

Service Submissions. The Army, Navy, Air Force, and Marine Corps provided legacy system cost data for FY 2003 through FY 2005. However, the Services did not provide adequate source documentation to support FY 2005 cost data. As with other travel cost data discussed here, Army provided no documentation, Navy provided partial documentation, and Air Force and Marine Corps documentation did not support amounts reported. In addition, we were unable to determine the accuracy of the Air Force methodology for calculating costs for processing and computing vouchers. For instance, the FY 2005 Air Force data disclosed that processing and computing vouchers cost \$76 million based on Air Force personnel costs, DFAS billing rates, and the number of vouchers processed during that fiscal year. The Air Force uses the Reserve Travel System to process its TDY vouchers. Because the Reserve Travel System computes the voucher amount, DFAS would not have charged the \$34 rate for computing and disbursing all legacy system vouchers as indicated in Air Force data. By using the higher voucher computation and disbursement rate, the Air Force may have overstated the cost it incurred to process and compute each non-DTS travel voucher processed during FY 2005.

Defense Agency Submissions. DFAS and DLA provided updated lifecycle cost estimate data for FY 2003 through FY 2005 legacy system costs. However, neither Defense agency provided documentation to support the costs they reported during FY 2005. We did not receive legacy system cost data from DISA or any other Defense agency.

DoD OIG Audit of Legacy System Costs. We audited FY 2005 legacy system cost data to determine whether we could validate all cost data reported in that year. Table C3 (Appendix C) shows FY 2003 through FY 2005 legacy system cost data provided by the Services, DFAS, and DLA. They reported \$215.29 million in legacy system costs for FY 2005; however, none of those costs were adequately supported. Again, the supporting documentation provided by the Services, DFAS, and DLA for FY 2003 and FY 2004 was very limited, and so we discontinued auditing FY 2003 and FY 2004 legacy system cost data.

Vouchers Processed by DFAS

Vouchers Processed. DFAS could not support the number of travel vouchers they processed for DoD personnel during FY 2005. It provided two sources of

travel voucher data: a consolidated report from e-Biz⁴ and individual databases from each DFAS disbursing center. The two sources should have provided consistent data on the number of vouchers processed but differed by more than 3 million vouchers.

E-Biz Accounting System. DFAS personnel stated that all travel vouchers they processed fall into two categories: compute and disburse (output 07) and disburse only (output 27). In FY 2005, the e-Biz report identified a total of 6,603,120⁵ travel vouchers processed for DoD travelers—1,132,054 DTS and legacy system vouchers that DFAS computed and disbursed (output 07), and 5,471,066 vouchers that only needed to be disbursed (output 27).

DFAS Disbursing Systems. DFAS Cleveland, Columbus, Denver, Indianapolis, and Kansas City provided database extracts of all travel vouchers disbursed by their DoD disbursing systems during FY 2005. Each DFAS center provided a database from the disbursing system it uses. The databases recorded disbursements of 8,262,845 vouchers originating from legacy systems and 1,622,450 vouchers originating from DTS in FY 2005, for a total of 9,885,295 vouchers.

A Persistent Issue. Problems with documentation supporting DoD travel costs existed before DTS and continue to exist. The Principal Deputy Director, Program Analysis and Evaluation, wrote in a memorandum, “Defense Travel System (DTS) Acquisition Program Baseline Comments,” that the Department needed more reliable data after reviewing the 2003 DTS Economic Analysis. Nearly 3 years later, the DTS PMO, Services, DFAS, DLA, and DISA were again unable to provide supporting documentation necessary to validate all DTS costs and other travel-related data. At the very least, vouchers from disbursing systems should be reconcilable to the e-Biz accounting system.

Formal Reporting Process

In order to develop a cost benefit evaluation, the Department needs a formal reporting process that will enable it to effectively capture, support, and validate all travel-related cost data.

Establishing a Formal Reporting Process. Although the DTS PMO recognized the need to establish a formal reporting process, that process has yet to be implemented. Prior to the Milestone C Decision review, the DTS PMO drafted a memorandum, “Identification of Component Savings from the Defense Travel System (DTS),” for Under Secretary of Defense (Comptroller)/Chief Financial Office consideration. This memorandum concluded that the 2003 DTS Economic Analysis does not adequately capture all the cost savings that can be achieved by implementing DTS. To resolve this issue, the DTS PMO asked the Under

⁴The e-Biz system was designed to implement an integrated management information system for DFAS to support budget formulation, resource management, financial management, funds control, and accounting business areas of Financial Operations and Information Services.

⁵Total does not include 90 vouchers (14 from output 07 and 76 from output 27) for non-DoD activities.

Secretary of Defense (Comptroller)/Chief Financial Officer to request each Component to capture DTS potential savings in two categories:

- personnel and associated overhead savings (where personnel are no longer required to perform manual travel activities) and
- other real savings achieved from lower costs resulting from automation of travel activities.

The DTS PMO asked that all Component comptrollers provide this information and continue to provide updated information in the form of quarterly reports. However, according to the Deputy Program Director, DTS PMO, personnel from the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer verbally indicated that this requirement was not needed and only added to an already large list of reporting requirements. Consequently, the Department did not implement this reporting process. The Services and Defense agencies do not capture relevant data, including documentation necessary to support DTS and legacy system costs.

DoD Efforts to Capture and Validate Travel Cost and Travel-Related Data. Although the Department has attempted to capture and subsequently validate travel costs and travel-related data on at least two occasions, neither attempt was successful.

1994-1995 Data Collection. The Task Force to Reengineer Travel could not support all Departmental travel costs during their 1994 through 1995 review. However, the "Report of the Department of Defense Task Force to Reengineer Travel," concludes that they could not easily identify all costs involved in the TDY process. Specifically, the report states that the costs of administering travel were unquantifiable, and the cost of time spent by travelers completing authorizations and vouchers had never been officially calculated or documented. In addition, DoD systems had not been developed or updated to enable the Department to accurately capture and support all travel-related costs.

2002 Data Collection. Although personnel from Program Analysis and Evaluation attempted to develop a cost-effectiveness study and validate the 2001 DTS Economic Analysis, data was not always available to quantify DTS Program costs. The Under Secretary of Defense (Comptroller)/Chief Financial Officer responded to a draft of our July 1, 2002, report by tasking the Director, Program Analysis and Evaluation to complete a cost-effectiveness study. The Under Secretary stated that the Department would use the results of the study as a basis for continuing or terminating the DTS Program. The Director, Program Analysis and Evaluation, Office of the Secretary of Defense, conducted a review of the DTS Program and issued a report on December 17, 2002, "Defense Travel System Cost Effectiveness Review." The report says the Department did not capture travel costs necessary to validate program savings. As a result, the report concluded that DTS may not be the most cost-effective solution to reengineering the Department's travel process.

The Task Force to Reengineer Travel and the Director, Program Analysis and Evaluation attempts to capture and validate travel costs and other travel-related

data reveal a fundamental flaw in the Department's reporting process. Despite the problems disclosed during both reviews, the Department continues to not require the Services and Defense agencies to report quantifiable cost data. By establishing a formal reporting process, the Department can elicit the information from which to create a baseline from FY 2006 forward that will allow effective measurement of DTS productivity improvements and cost savings.

Ability to Measure DTS Benefits

The Department continues to make management decisions based on non-validated data and allocate resources to the DTS Program without the ability to measure projected benefits.

Management Decisions. The Assistant Secretary of Defense for Networks and Information Integration approved continuing the DTS Program in a December 24, 2003, memorandum, "Defense Travel System Acquisition Decision Memorandum," even though cost data in the 2003 DTS Economic Analysis and subsequent Addendum had not been validated. The DTS PMO had developed the 2003 DTS Economic Analysis, as required by DoD Instruction 5000.2, to provide a basis for the Milestone C Decision review. The Director, Program Analysis and Evaluation; Services; and Defense agencies reviewed the decision memorandum's conclusions but did not agree with them. The Principal Deputy Director, Program Analysis and Evaluation wrote in an October 20, 2003, memorandum that the 2003 DTS Economic Analysis did not provide a solid foundation for DTS Program costs. The Deputy Program Director, DTS PMO, said the Services revised the DTS PMO-developed lifecycle cost estimates and provided data they felt were more realistic. However, the Deputy Program Director, DTS PMO, stated that the DTS PMO had not ensured this information was validated prior to including it in the subsequent Addendum.

Personnel from the Office of the Assistant Secretary of Defense for Networks and Information Integration stated that, although the Addendum to the 2003 DTS Economic Analysis identified Program savings, those savings did not present a favorable return on investment. However, personnel from the Office of the Assistant Secretary stated that the Assistant Secretary approved moving forward with the Program based primarily on non-quantifiable benefits, not the Program's return on investment. See Appendix F for a list of the managerial and financial benefits (non-quantifiable) identified during the Milestone C Decision review.

Continuing to Fund the DTS Program. Since the Assistant Secretary of Defense for Networks and Information Integration conducted the Milestone C Decision review, the DTS PMO, Services, DFAS, DLA, and DISA have reported DTS Investment and Operation and Support costs of approximately \$293 million⁶ from FY 2003 through FY 2005.

⁶As of September 30, 2005, the DTS PMO updated lifecycle cost estimate data quantifies DTS Investment and Operation and Support costs of approximately \$205 million. In addition, the Services, DFAS, DLA, and DISA incurred DTS Investment and Operation and Support costs of approximately \$88 million.

Measuring Projected Benefits. Although the 2003 DTS Economic Analysis and subsequent Addendum identify potential benefits of implementing DTS, the Department cannot effectively measure those benefits. The 2003 DTS Economic Analysis identified cost savings of \$1.27 billion from FY 1996 (Program inception) through FY 2016 (end of the Program's lifecycle). This resulted in a favorable 4.3 return on investment. Prior to the Milestone C Decision review, the Services; Defense agencies; and the Director, Program Analysis and Evaluation nonconcurred with the reported cost savings. The \$167 million in cost savings identified in the Addendum indicates a less favorable 0.74 return on investment. However, the Addendum compensates for the reduced cost savings by focusing more on the non-quantifiable benefits of DTS. The Deputy Program Director, DTS PMO, stated that the program office has a process in place for measuring the results of some non-quantifiable benefits. However, with the exception of monitoring DTS effects on accelerating the voucher payment process and developing a model to monitor the number of vouchers processed at some DoD sites, the Department has not demonstrated its ability to effectively measure those projected benefits.

Conclusion

We previously reported that DTS was at high risk of not effectively streamlining the Department's travel management process. Since that report, the Department has continued the Program despite the lack of validated cost data supporting a sound decision-making process. OMB Circular A-94 and DoD Instruction 7041.3 require such data for making decisions and assessing the effectiveness of a program. The DTS PMO developed the July 2003 DTS Economic Analysis and subsequent Addendum without ensuring all sources of data were validated. During our attempt to develop a cost benefit evaluation, the Department could not support all FY 2003 through FY 2005 DTS and legacy system costs. Therefore, the Department should develop a process that requires the Services and Defense agencies to capture data necessary for validating, and subsequently, measuring whether DTS savings exist. In addition, the Department should develop a process that enables it to effectively measure non-quantifiable benefits supporting the Department's decision-making process to continue the DTS Program. Without that support, the Department will not be able to measure potential savings or productivity improvements derived by using DTS. As a result, the program remains at risk of not being a cost-effective solution to transforming the Department's travel management process.

Management Comments on the Finding and Audit Response

Management Comments. The Director, Program Analysis and Evaluation nonconcurred with the audit report, stating that the Unofficial Guide was not formally released and does not constitute formal guidance when preparing economic analyses. The Director also states that the Department has already issued formal guidance on developing an economic analysis: DoD Directive 5000.04, "Cost Analysis Improvement Group," November 24, 1992

(revised on August 16, 2006); DoD Directive 5000.4-M, “Cost Analysis Requirements and Procedures,” December 1992; and DoD Instruction 7041.3. The Director inferred that the report blames DTS PMO’s use of the Unofficial Guide for unsubstantiated cost data and says that revising the Unofficial Guide would result in FY 2003 through FY 2005 auditable cost estimate data.

Audit Response. We agree that the Unofficial Guide has not been officially issued by the Department and that DoD Instruction 7041.3 provides general guidance on developing an economic analysis. DoD Directive 5000.04 and DoD Directive 5000.4-M also provide guidance on preparing an economic analysis; however, those Directives primarily provide overarching descriptions and general content requirements for preparing a Cost Analysis Requirements Description and not an actual economic analysis. Specifically, DoD Directive 5000.04 provides guidance on reviewing the completeness and consistency of a Cost Analysis Requirements Description and DoD Directive 5000.4-M provides implementing guidance on how to prepare and present a Cost Analysis Requirements Description document. We did not mean to imply that the Unofficial Guide had been officially issued or constituted official DoD guidance. Rather, we intended to demonstrate that an unofficial document that does not require auditable data sources was being used by the Department as a supplemental source of instruction for preparing an economic analysis. The Unofficial Guide provides more detailed descriptions of the types of cost data and the overall cost element structure than DoD Instruction 7041.3 describes. The Unofficial Guide also provides standardized terms to use to identify and classify cost elements that should be in an economic analysis. DoD Instruction 7041.3 does indeed require an economic analysis to include auditable data. However, the detailed procedures in the Unofficial Guide could calibrate preparation of any future automated information system economic analysis. Therefore, we believe that the Director should reconsider his position to officially issue the guide as DoD implementing guidance to facilitate the development of an automated information system economic analysis consistent with requirements for auditable data in DoD Instruction 7041.3.

We also did not mean to imply that DTS and travel-related cost data could not be audited because the DTS PMO used the Unofficial Guide when preparing the 2003 DTS Economic Analysis and subsequent Addendum. Nor did we mean to imply that by revising the Unofficial Guide and officially issuing it, the Department would be able to provide auditable FY 2003 through FY 2005 cost data. In fact, the report recognizes that the Department has a history of being unable to validate its travel cost data.

Recommendations, Management Comments, and Audit Response

Revised Recommendation. As a result of management comments, we revised draft Recommendation A.4. to clarify the intent of the recommendation.

A.1. We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer and Under Secretary of Defense for

Personnel and Readiness jointly establish a formal reporting process in coordination with Department Comptrollers that requires each Service and Defense agency Comptroller to maintain detailed records of all Defense Travel System and legacy system costs.

A.2. We recommend that the Under Secretary of Defense for Personnel and Readiness:

a. Develop a process that facilitates the Department's ability to effectively measure whether using the Defense Travel System has enabled DoD to achieve projected benefits, both quantifiable and non-quantifiable, cited in the September 2, 2003, Addendum to the 2003 Defense Travel System Economic Analysis.

b. Require all DoD Components to appoint an official within that Component who is responsible for implementing the Defense Travel System.

A.3. We recommend that the Director, Defense Finance and Accounting Service implement a process to ensure voucher payments recorded in the disbursing systems can be reconciled to voucher payment data in the e-Biz accounting system to facilitate the Department's ability to accurately report travel voucher payments data.

Management Comments. The Director, Indianapolis Operations, partially concurred, stating that Travel Operations will assist the e-Biz and budget offices in addressing discrepancies between travel claims disbursed and data recorded in e-Biz by June 30, 2007. However, the Director, Indianapolis Operations states that the e-Biz and budget areas have primary responsibility for this issue.

Audit Response. We consider DFAS comments partially responsive to the intent of Recommendation A.3. Although the Director, Indianapolis Operations stated they would assist the e-Biz and budget offices in addressing discrepancies, he did not indicate how they would assist those offices or whether they would implement a process to improve the Department's ability to report travel voucher data in the future. In addition, the office with primary responsibility for this action, based on comments provided by the Director, Indianapolis Operations, did not respond to the draft report. The intent of the original recommendation was for DFAS to develop such a process to ensure that voucher payment data recorded in the disbursing systems can be accurately reconciled to the summary information contained in e-Biz. Therefore, we request that the office within DFAS responsible for e-Biz also provide comments on Recommendation A.3. in response to the final report.

A.4. We recommend that the Director, Program Analysis and Evaluation issue the "Unofficial Guide for the Economic Analysis of Defense Information Technology Investments," as implementing guidance for DoD Instruction 7041.3.

Management Comments Required

The Under Secretary of Defense (Comptroller)/Chief Financial Officer and the Under Secretary of Defense for Personnel and Readiness did not comment on a draft of this report. We request that they comment on the final report.

B. Use of the Defense Travel System

Not all Components within the Services and Defense agencies were using DTS to support routine TDY at sites where DTS had been deployed. In fact, 5 of 27 sites we visited were not using DTS at all, and the remaining sites continued to sometimes use legacy systems to process and support routine TDY. One reason DTS was not solely used to support routine TDY was the Department's lack of an overall travel management strategy to guide the Program in achieving the benefits identified in the Addendum to the 2003 DTS Economic Analysis. As a result, the Department has not realized the full benefits of using DTS.

Use of DTS Mandated

On July 17, 2001, the Under Secretary of Defense (Comptroller)/Chief Financial Officer and the Under Secretary of Defense for Acquisition, Technology, and Logistics issued a memorandum, "Defense Travel System," stating that DTS would be the single standard system for satisfying TDY requirements. On October 18, 2004, nearly 3 years later, the Deputy Secretary of Defense issued Management Initiative Decision 921 (MID 921), "Commercial Travel Management," requiring DoD Components not to use paper-based or automated legacy TDY systems to process travel once DTS was fielded to them. After the Deputy Secretary of Defense issued MID 921, the Services issued memorandums mandating that their respective Components implement DTS once it was deployed to their sites. (See Appendix E for a list of DoD and Service-specific policy requirements for DTS.)

Sites Not Using DTS

Despite DoD- and Service-level requirements to use DTS, 5 of 27 sites we visited were not using DTS even though the System had been deployed to them.

Naval Air Station Pensacola Training Squadron 2 and 3. Neither Training Squadron 2, nor Training Squadron 3 used DTS to support TDY travel. Personnel from Training Squadron 2 and 3 stated that, although DTS was initially deployed to each of their sites in May 2004, they had not used DTS to support travel. Training Squadron 2 and 3 are subordinate commands of Training Wing 5. Personnel from Training Wing 5 stated that its Commander had issued verbal orders not to use DTS because of a previous experience with DTS. Specifically, Training Wing 5 personnel stated that the Commander was scheduled to take a trip and used DTS to create the authorization; however, when the Commander arrived at the airport, DTS had not booked the ticket. During our audit, Training Squadron 2 and 3 began using DTS to support routine TDY on April 17, 2006.

Naval Air Station Mayport Aircraft Intermediate Maintenance Detachment. The Aircraft Intermediate Maintenance Detachment did not use DTS to support TDY travel. Personnel stated that, although DTS training and

initial deployment to the site began in February 2004, the personnel had not used DTS to support travel. The personnel stated that the Commander verbally instructed them not to implement DTS because the Commander believed the System malfunctioned and was inefficient.

9th Naval Construction Regiment. The 9th Naval Construction Regiment did not use DTS to support TDY travel. Personnel stated that although DTS was initially deployed to the Joint Reserve Base in April 2005, they had not used it to support travel for Active Duty and Reserve personnel. They stated that authorizations for Active Duty personnel are processed using the Windows version of the Automated Travel Order System and authorizations for Reservists are processed using the Navy Reserve Order Writing System. All vouchers are manually prepared. According to the DTS PMO, the import and export function necessary to incorporate Navy Reserve authorizations was completed, thus providing a logical (direct) interface to DTS. However, according to the Navy Reserve Order Writing System Program Manager, the interface was yet to be properly tested to the satisfaction of the Navy.

Naval Consolidated Brig. Naval Consolidated Brig personnel stated that although DTS was deployed to the site and they declared initial operating capability in May 2005, they had not used DTS to support travel. They stated that they continued to use a manual process for creating authorizations and vouchers instead of using DTS because they felt DTS did not support the use of centrally billed accounts. In addition, because they had a limited number of staff that had been issued Government credit cards, the Commander had not encouraged use of DTS.

Continued Use of Legacy Systems to Support TDY

We developed a random sample of 1,632 FY 2005 authorizations and vouchers not processed through DTS at 26 sites. Appendix D presents a site-by-site breakdown of sample items reviewed and the results of those reviews. The number and size of each sample varied based on the universe of vouchers or authorizations each site stated they had processed during FY 2005. (Appendix A describes the methodology we used in developing each sample.)

Of the 1,632 vouchers reviewed at 26 sites, 892 of the sample items could have been processed using DTS. The vouchers that could have been processed through DTS included: most types of local travel, invitational travel, group travel, blanket order travel, and routine TDY. However, some sample items relating to local travel could have been for a dependent or retiree seeking medical treatment and those individuals would not have access to DTS and, therefore, could not have used DTS to process the travel voucher.

The use of legacy systems after DTS has been implemented reduces the Department's ability to achieve potential cost savings from reduced DFAS fees charged to disburse a DTS voucher. For example, 295 of the 892 vouchers were Army and Defense agency vouchers that could have been processed through DTS. The 295 Army and Defense agency vouchers could have reduced overall travel

processing costs paid to DFAS by as much as \$31.80 per voucher. In addition, the Department limits its ability to successfully achieve the projected results for non-quantifiable benefits. The Department will not be able to transform existing travel management from a paper-based process to an automated, fully integrated end-to-end travel and financial management system until it requires the Services and Defense agencies to discontinue using legacy systems.

Travel Management Strategy

The Department lacks an overall travel management strategy to guide the Program in achieving the benefits identified in the Addendum to the 2003 DTS Economic Analysis. We believe an effective strategy should provide:

- an effective DoD-wide process for monitoring DTS use once the System has been deployed to user sites;
- procedures for holding the Services and Defense agencies accountable for complying with DoD policy to implement and use DTS for routine TDY by the end of FY 2006;
- DTS support for all types of routine TDY and changes to travel policy; and
- a plan for meeting existing requirements defined in the DTS Operational Requirements Document,⁷ November 18, 2002, and new requirements that may be added.

Accountability for Using DTS

Monitoring DTS Use. The DTS PMO and Army do not have a uniform process for monitoring DTS use and, therefore; they use inconsistent data to track DTS use.

Existing Processes for Monitoring DTS Use. Although the DTS PMO developed a model to monitor DTS use, it does not include data for all DoD sites. In fact, the model only includes data for the approximately 280 Phase I and Phase II sites (where the DTS PMO is responsible for implementing DTS), and does not include data for any Phase III sites where the Services and Defense agencies are responsible for DTS implementation. The table illustrates internal DTS PMO estimated rates of as of February 2006.

⁷DoD 5000.2-R, "Mandatory Procedures for Major Defense Acquisition Programs and Major Automated Information System Acquisition Programs," April 5, 2002, requires the Department to document costs and mission requirements in an Operational Requirements Document. The DTS Operational Requirements Document was designed to serve as the vehicle for documenting DTS operational requirements, and managing the scope of the acquisition process as changes to DoD travel policy occur.

DTS PMO Rates of Use as of February 2006	
DoD Component	Rate of Use
Army	57 percent
Navy	34 percent
Air Force	50 percent
Marine Corps	23 percent
Defense Logistics Agency	69 percent
Remaining Defense Agencies	16 percent

As shown by the data in the table, statistics indicate that the Department, on average, is using DTS less than half of the time to process vouchers at Phase I and Phase II sites. Although the DTS PMO developed the model to monitor DTS use at Phase I and Phase II sites, this model does not enable the Departments to effectively monitor DTS use Department-wide.

The Army issued a September 24, 2004, memorandum, "Defense Travel System (DTS) Proliferation," stating that it planned to monitor compliance with the requirement to use DTS. According to the Army DTS Representative, the Army financial management community discusses Army-wide progress in meeting that goal three times a year with representatives from the Major Army Commands. However, updated metrics are forwarded to each Army Major Command on a monthly basis, and if that command is not showing improvement, the command must provide a plan of action to improve its performance in meeting the goal. The Army included DTS as a goal in the FY 2006 Joint Reconciliation Program. As of February 2006, the Army reported that DTS was being used 72 percent of the time at sites where it is deployed.

Consistency of Data Used for Monitoring DTS Use. The DTS PMO and Army used different types of data to monitor use of DTS. The DTS PMO used ticket count data from 2001 to develop its model, broken out by Service and Defense agency for Phase I and Phase II sites. However, personnel from the DTS PMO acknowledged that this information may no longer be representative of overall Department-wide travel because it was based on data available prior to the Global War on Terrorism. Personnel from the DTS PMO stated that since the Global War on Terrorism began, the number of tickets issued and amount of travel occurring, has changed. The Army uses its own methods to monitor DTS use at all its sites where DTS has been implemented, including Phase I, Phase II, and Phase III sites. As a result, consistent data is not being used to report DTS use. For example, the DTS PMO results show the Army achieved a 57 percent cumulative DTS use rate during the period July 2001 through February 2006, while the Army statistics show that it achieved a 72 percent use rate (during February 2006). Until DoD develops a single process that uses consistent data and reporting periods for monitoring use of DTS, it cannot hold the Services and

Defense agencies accountable for not using DTS and will not have a comprehensive baseline for measuring progress toward achieving 100 percent use of DTS.

Routine TDY Not Processed Through DTS. During site visits, we found several instances where FY 2005 travel that should have been processed through DTS was processed by legacy systems. Examples of those types of travel include:

- Travel when an individual did not have a Government credit card,
- Travel when a centrally billed account was used,
- Travel resulting from the use of another activity's line of accounting (invitational travel),
- Group travel,
- Blanket order travel, and
- Travel occurring outside the Continental United States.

During a meeting with the Deputy Program Director, DTS PMO, on May 2, 2006, we discussed the various reasons sites provided for not using DTS. During that meeting, the Deputy Program Director reiterated that travel involving the use of a centrally billed account; another organization's line of accounting; and group, blanket order, and invitational⁸ travel could be processed using DTS. If the Department had a process in place to effectively monitor DTS use and the Services and Defense agencies were held accountable for not using DTS, it would prevent travel from being processed using means other than DTS.

Development of DTS Functionality

DTS does not support all types of routine or business TDY, as required in the DTS Operational Requirements Document, because the DTS PMO has not developed all required functionality during planned releases or updates to the System. However, DoD management has begun reviewing not only DTS, but the travel process as a whole, to determine whether it is cost effective for DTS to support all types of TDY travel.

Travel Supported by DTS. The DTS PMO planned to deploy DTS through an evolutionary acquisition approach by adding functionality to the core capabilities of DTS with multiple major releases. The DTS Operational Requirements Document states that by the completion of the last major release,⁹ all routine and

⁸Effective October 1, 2004, the Joint Federal Travel Regulations, Appendix O, was updated and invitational travel was removed from the list of travel not supported by DTS.

⁹According to the Program Director, DTS PMO, and the Director, DTMO, the last remaining major release will no longer be executed as a major release, but rather as a series of updates to DTS as functionality is developed.

business TDY was supposed to be supported by DTS. However, on February 22, 2006, DFAS issued a report, "Review of the Defense Travel System," that identifies 24 types of routine or business TDY in the Joint Federal Travel Regulations that were not included in scheduled releases or the final release. Examples of those types of travel include travel for prisoners and guards, Reserve and Guard members' travel, and permanent duty travel.

In addition, the Department has yet to support other types of travel that were scheduled to be supported by DTS during previous major releases in FY 2004 and FY 2005, including travel for retirees or reservists called to active duty and travel during emergency situations (evacuation or safe haven travel). The DTS PMO has not ensured all functionality requirements were developed on time and changes to travel policy have not been implemented.

Travel Functionality Requirements. The DTS PMO has not developed all requirements nor has it addressed existing system change requests. The DTS PMO and Director, Defense Travel Management Office (DTMO) stated that all requirements have not been developed because of budget constraints and cumbersome travel policies. In addition, the Department has not developed a plan stating how and when critical functionality not met as planned by previous releases or planned for the final release will be executed. Because the following functionality is critical to DTS successfully supporting all business and routine TDY, the Department should develop a plan and update it as necessary to ensure all requirements are successfully met. This functionality includes:

- Reserve and National Guard travel expected to provide an interface to the Defense Integrated Military Human Resource System, thereby allowing the Services to terminate the use of legacy systems currently required to process Reserve and Guard travel.
- direct vendor reservations expected to provide a direct interface between travel systems and suppliers (hotels, rental car companies, and airlines), thereby increasing discounts from suppliers based on volume of use.
- a lodging interface expected to provide travelers a link to booking military quarters on-line, thereby facilitating the use of Government billeting and decreasing overall lodging costs within the Department.
- Military Entrance Processing Stations expected to provide recruits with the ability to arrange individual travel reservations for traveling to their basic training sites.
- permanent duty travel computation expected to provide certified computation of permanent duty travel entitlements for a traveler and all dependents.

System Change Requests. The DTS PMO has not addressed all system change requests that seriously impact DTS functionality. As of May 9, 2006, the DTS PMO provided a list of 16 "priority-2" system change requests. According to the DTS PMO, a priority-2 system change request is a serious system problem

that limits the user's ability to process travel using DTS. The list of 16 priority-2 system change requests includes unresolved issues reported as long ago as October 2003. Because priority-2 system change requests could prevent or limit a user's ability to use DTS, the DTS PMO needs to develop a more effective method of managing those requests to ensure timely and prompt resolution of issues affecting the Department's ability to effectively use DTS as a single system to support routine or business TDY.

Program Constraints. According to the Deputy Program Director, DTS PMO, budget reductions have caused the Program Office to delay development of functionality planned for previous releases. The Director, DTMO stated that complicated and cumbersome travel policies also preclude DTS from supporting all types of routine TDY. Therefore, the Department should assess the feasibility of developing the remaining DTS functionality and whether supporting all types of routine travel is cost-effective.

Recent Actions by DoD Management. Since MID 921 was issued in 2004, personnel within the Office of the Under Secretary of Defense for Personnel and Readiness have taken a proactive approach to managing and overseeing not only DTS, but the entire travel process. According to the Director, DTMO, on March 24, 2006, the Under Secretary of Defense for Personnel and Readiness briefed the newly created commercial travel vision to the Deputy Secretary of Defense. The Deputy Secretary of Defense approved the vision and, since then, the DTMO has taken steps to improve the travel management process, including undertaking a DTS reservation-module enhancement to make the system easier to use.

However, during a meeting with the Under Secretary of Defense for Personnel and Readiness on May 5, 2006, we expressed concern with many underlying issues affecting the success of DTS. The Under Secretary indicated that he recognized the need to change the approach for implementing and using DTS at a Department-wide level and stated that his office had begun developing a new strategy. The Under Secretary stated that he hopes this strategy will enable the Department to use DTS as an effective tool for transforming travel process weaknesses identified in the "Report of the Department of Defense Task Force to Reengineer Travel." He said changes to the travel process should not be limited to changes that are based solely on automation. At the direction of the Under Secretary of Defense for Personnel and Readiness, the Director DTMO stated that DTMO plans to take a look at what types of travel DTS currently supports as compared to all types of travel necessary to support the Department's mission. In addition, the Director stated that the overall goal of the Under Secretary is to provide a system that people want to use, rather than requiring them to use a system that does not support their travel needs.

Transformation of the Department's Travel Process

The Department will not realize the originally anticipated cost savings benefits of using DTS. The Addendum to the 2003 DTS Economic Analysis reported that the Department could realize \$167 million in cost savings by implementing DTS.

However, the Department could not provide supporting documentation for us to validate costs for even 1 year, let alone the cost savings reported in the Addendum. In addition, the Addendum lists financial and managerial non-quantifiable benefits. According to the Addendum, one such benefit is a reduction in manpower necessary to support travel administration. The Air Force, for example, stated that it planned to re-designate 375 manpower billets supporting travel pay services and use those billets to support other Air Force operations. However, as of June 2006, the Air Force has not been able to meet this goal because of a lack of DTS functionality, continued use of legacy systems, and delays in fielding DTS. Although actual taxpayer savings will not occur through the reassignment of personnel, the Air Force will be able to more effectively use limited resources to support the warfighter through its implementation of DTS.

Despite the Department's investment of approximately 10 years and more than \$496 million, it has not taken appropriate steps to achieve and sustain travel process reform on a strategic, Department-wide, and integrated basis. Until the Department develops a travel management strategy addressing DTS support for all types of routine TDY, functional requirements, accountability for using the System, a means for monitoring Department-wide use of DTS, legacy system use, and a process to measure realistic benefits it could potentially achieve, DoD will not be able to determine whether it could achieve those benefits.

Recommendations

Revised and Deleted Recommendations. Public Law 109-364, "John Warner National Defense Authorization Act for FY 2007," was enacted on October 17, 2006. We revised draft Recommendations B.1.a, B.1.b, and B.2 to clarify that action in response to these recommendations should be predicated on results of the DTS study required by section 943 of the law and a decision to continue the DTS Program. We deleted Recommendation B.1.c because the DTS study mandated by section 943 requires a comprehensive assessment of DTS by an independent entity (outside the Department) to determine the feasibility of separating the DTS financial infrastructure from the travel reservation process. The study will also determine feasibility of converting the travel reservation process to a fee-for-service system and making the financial infrastructure of DTS mandatory.

B.1. We recommend that, after the recently legislated Defense Travel System study is completed and if a decision is made to continue the Defense Travel System, the Under Secretary of Defense for Personnel and Readiness:

a. Develop, in coordination with the Director, Business Transformation Agency; the Services; and Defense agencies, a travel management strategy that addresses key issues affecting the successful transformation of the Department's temporary duty travel process, and includes:

1. a plan for effectively implementing the Defense Travel System at the remaining Phase II and Phase III sites, and

2. a single methodology for effectively and consistently monitoring compliance with Department and Service-specific policy.
 - b. Establish, in conjunction with all DoD Components, a plan that addresses short- and long-term goals for the Department in achieving 100 percent use of the Defense Travel System for routine temporary duty travel.
- B.2. We recommend that, after the recently legislated Defense Travel System study is completed and if a decision is made to continue the Defense Travel System, the Program Director, Defense Travel System Program Management Office, institute a more effective and timelier process for addressing system change requests to improve the Department's ability to use the System.

Management Comments Required

The Under Secretary of Defense for Personnel and Readiness and the Program Director, DTS PMO did not comment on a draft of this report. We request that they comment on the final report.

Appendix A. Scope and Methodology

We performed this audit in response to a congressional request from the Chairman, Permanent Subcommittee on Investigations, Committee on Homeland Security and Governmental Affairs.

Work Performed. We conducted a program review of DTS following generally accepted government auditing standards from September 26, 2005, through September 20, 2006, to identify whether the System is being used throughout the Department.

- We reviewed DTS PMO, Service, and Defense agency implementation plans to identify those sites where DTS had been deployed by the end of FY 2005.
- We developed a judgmental sample of 32 sites where DTS should have been implemented prior to June 1, 2005, including 5 Army sites, 17 Navy sites, 5 Air Force sites, 2 Marine Corps sites, and 3 Defense agency sites.
- Using Audit Command Language, we developed a random sample of legacy system authorizations or vouchers processed during FY 2005 (or for the applicable portion of FY 2005 if DTS initial operating capability was declared during FY 2005) at 26 sites visited.

We reviewed documentation, including the 2003 DTS Economic Analysis; the Addendum to the 2003 DTS Economic Analysis; the DTS Cost Analysis Requirements Description, November 22, 2002; and the DTS Joint Reconciliation Document, April 7, 2003; to identify the methodology used by the Department in calculating previous DTS Program costs.

We requested actual DTS Investment and Operation and Support costs, and legacy system costs for FY 2003 through FY 2005, projected costs for FY 2006, and programmed costs for FY 2007 through FY 2016. We did not request supporting documentation for FY 1996 through FY 2002 because we planned to determine whether current costs could be supported prior to reviewing underlying data for those older Program costs.

We reviewed updated lifecycle cost estimates containing DTS Investment and Operation and Support costs, and legacy system costs that the DTS PMO, and Service and Defense agency DTS Representatives provided for FY 2003 through FY 2005. We also reviewed all source documentation provided by the DoD Components to determine whether their updated DTS and legacy system costs could be validated.

We evaluated the management and oversight of DTS by conducting interviews with officials from the Offices of the Under Secretary of Defense for Acquisition, Technology, and Logistics; the Under Secretary of Defense (Comptroller)/Chief Financial Officer; the Under Secretary of Defense for Personnel and Readiness,

the Assistant Secretary of Defense for Networks and Information Integration; the Director, Program Analysis and Evaluation; DFAS; and the DTS PMO.

We reviewed DoD acquisition guidance and acquisition-related documentation developed by the DTS PMO to support the Assistant Secretary of Defense for Networks and Information Integration decision to designate the Program as an Acquisition Category IAM major automated information system, including the DTS Operational Requirements Document; Lifecycle Cost Estimates; DTS Acquisition Program Baseline, December 23, 2003; DTS Test and Evaluation Master Plan, May 28, 2003; and the Acquisition Decision Memorandum, "Designation of Defense Travel System as a Major Automated Information Systems Acquisition Category IAM Program."

In addition, we reviewed DoD and Service-specific memorandums mandating the use of DTS once deployed to a site. Specifically, we reviewed MID 921; a Principal Deputy Assistant Secretary of the Army (Financial Management and Comptroller) memorandum, "Defense Travel System (DTS) Proliferation," September 24, 2004; NAVADMIN 121/04, "DBSIGN - Defense Travel System Deployment," May 7, 2004; an Assistant Secretary of the Air Force (Financial Management and Comptroller) memorandum, "Defense Travel System (DTS) Implementation," November 2, 2004; and MARADMIN 068/05, "Policy on Implementation of DTS" February 15, 2005.

Scope Limitations. Although we initially identified and selected 32 sites to visit, budgetary constraints limited visits to only 27 sites. At the Naval Air Station Mayport Aviation Support Detachment we did not develop a sample because all vouchers, according to personnel from the Detachment, were processed through DTS in FY 2005.

Audit Disclosure. The DoD OIG uses DTS to support TDY and local travel requirements, which could ultimately affect the auditors' objectivity.

Use of Computer-Processed Data. We reviewed computer-processed data from legacy travel and financial systems to develop samples of FY 2005 non-DTS travel vouchers. Specifically, we reviewed computer-processed data from the Reserve Travel System, the Integrated Automated Travel System, the Windows version of the Automated Travel Order System, the Automated Business Service System, the Reserve Order Writing System, the Standard Accounting and Reporting System, the Operational Data System, the Standard Finance System, the Defense Disbursing Analysis and Reporting System, the Commanders Resource Information System, the Automated Fund Control and Order System, the General Accounting and Finance System, and the Fund Administration and Standardized Document Automation. We also reviewed data from the Centralized Disbursing System, Automated Disbursing System, and Standard Finance System Redesign-1 to identify the total number of travel voucher disbursements made by DFAS during FY 2005. In addition, we reviewed data from the Civilian Pay File and Active Duty Pay File databases, which are owned by the Defense Manpower Data Center, in an attempt to identify the site where each voucher originated. We did not evaluate the completeness and reliability of the data produced by those systems, nor did we test the general and application

controls of each system. We did not plan to project the results of our sample across the Department. Not assessing computing reliability did not affect the conclusions of this report.

Sample Design. We randomly selected a sample of 151 sites from military Services and other Defense Agencies. From this sample we judgmentally selected 26 sites. For each selected sample site, we selected random samples of travel authorizations or vouchers processed by legacy travel systems during FY 2005. To determine whether each voucher could have been processed using DTS, we reviewed the corresponding authorization to determine the type of travel that occurred. Appendix D details the results of the sample.

Use of Technical Assistance. The DoD OIG Quantitative Methods Division assisted in developing the sampling methodology used during the audit. The DoD OIG Technical Assessment Division assisted in developing a methodology to do a cost benefit evaluation of DTS. In addition, the Technical Assessment Division provided assistance in reviewing updated lifecycle cost estimate data.

Government Accountability Office (GAO) High-Risk Area. The Government Accountability Office has identified several high-risk areas in DoD. This report provides coverage of the DoD Business System Modernization and DoD Approach to Business Transformation high-risk areas.

Prior Coverage

During the last 5 years, GAO and the Department of Defense Office of Inspector General (DoD OIG) have issued four reports that discuss DTS. Unrestricted GAO reports can be accessed over the Internet at <http://www.gao.gov>. Unrestricted DoD OIG reports can be accessed at <http://www.dodig.mil/audit/reports>.

GAO

GAO Report No. GAO-06-18, "DoD Business Transformation: Defense Travel System Continues to Face Implementation Challenges," January 18, 2006

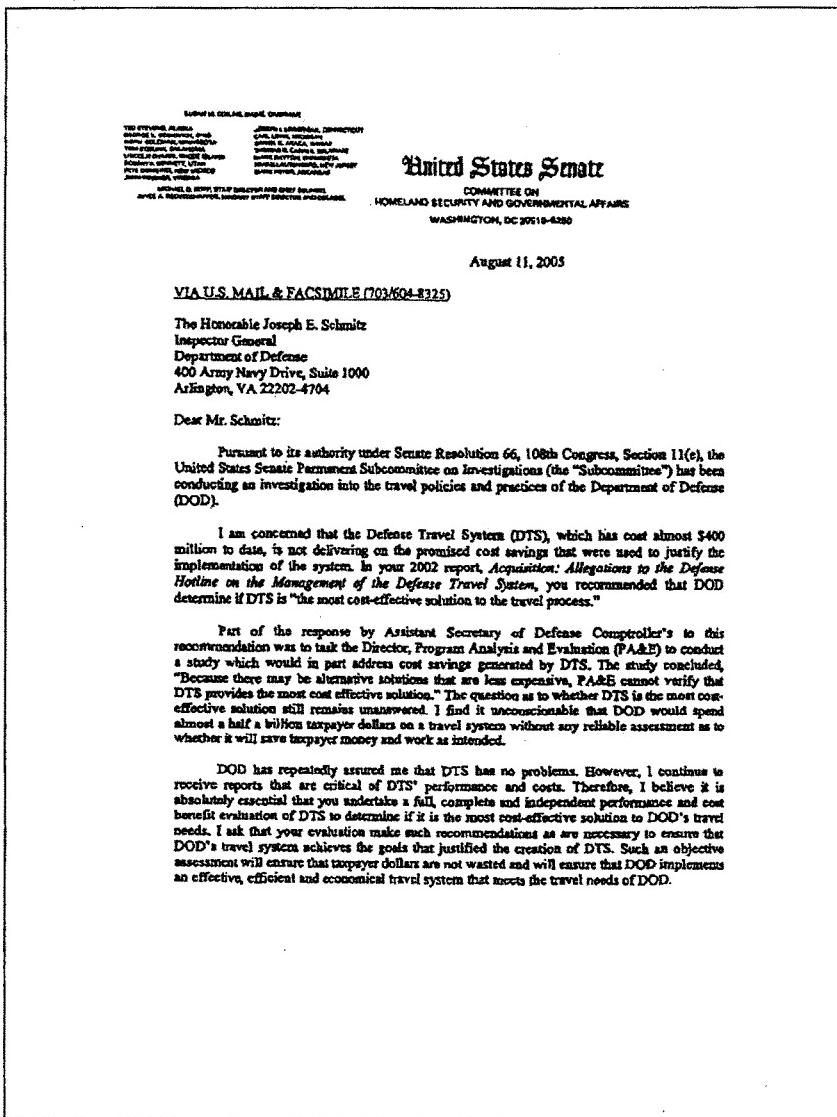
GAO Report No. GAO-04-576, "DoD Travel Cards: Control Weaknesses Resulted in Millions of Dollars of Improper Payments," June 9, 2004

GAO Report No. GAO-04-398, "DoD Travel Cards: Control Weaknesses Led to Millions of Dollars Wasted on Unused Airline Tickets," March 31, 2004

DoD OIG

DoD OIG Report No. D-2002-124, "Allegations to the Defense Hotline on the Management of the Defense Travel System," July 1, 2002

Appendix B. Congressional Request Letter



I request that you issue a report on the DTS not later than February 15, 2006. I look forward to your response. If you have any questions please feel free to contact me or have your staff contact Jay Jennings, Senior Investigator at 202/224-3721.

Sincerely,


Norm Coleman
Chairman
Permanent Subcommittee on Investigations

Appendix C. Summary of FY 2003 through FY 2005 Lifecycle Cost Estimate Data

Table C1 identifies DTS Investment costs the DTS PMO, Services, and Defense agencies submitted in their lifecycle cost estimates. In addition, it supports our conclusion that the submissions were not adequately supported and did not provide a baseline to develop a cost benefit evaluation.

Table C1. FY 2003 through FY 2005 DTS Investment Costs (in millions)

DoD Component	Total FY 2003 through FY 2005 Reported Costs	<u>Scope of Review (FY 2005)</u>		
		FY 2005 Reported Costs	FY 2005 Supported Costs	FY 2005 Unsupported Costs
DTS PMO	\$170.48	\$48.20	\$47.31	\$.89
Army	\$ 7.17	\$ 3.64	\$ 0	\$ 3.64
Navy	\$ 6.65	\$ 5.75	\$ 0	\$ 5.75
Air Force	\$ 0.16	\$.06	\$ 0	\$.06
Marine Corps	\$ 1.76	\$.79	\$ 0	\$.79
DFAS	\$ 0	\$ 0	\$ 0	\$ 0
DLA	\$ 0	\$ 0	\$ 0	\$ 0
DISA	\$ 0	\$ 0	\$ 0	\$ 0
Total	\$186.22	\$58.44	\$47.31	\$11.13

Table C2 identifies DTS Operation and Support costs the DTS PMO, Services, and Defense agencies submitted in their lifecycle cost estimates. In addition, it illustrates that submissions were not adequately supported.

DoD Component	Total FY 2003 through FY 2005 Reported Costs	Scope of Review (FY 2005)		
		FY 2005 Reported Costs	FY 2005 Supported Costs	FY 2005 Unsupported Costs
DTS PMO	\$ 35.00	\$.73	\$.73	\$ 0
Army	\$ 25.60	\$15.65	\$ 0	\$15.65
Navy*	\$ 9.57	\$ 5.60	\$ 0	\$ 5.60
Air Force	\$ 29.96	\$17.00	\$6.59	\$10.41
Marine Corps*	\$.05	\$.04	\$ 0	\$.04
DFAS	\$ 2.45	\$ 1.76	\$ 0	\$ 1.76
DLA	\$ 3.81	\$ 2.89	\$ 0	\$ 2.89
DISA	\$.48	\$.38	\$ 0	\$.38
Total	\$106.92	\$44.05	\$7.32	\$36.73

*The Navy and Marine Corps provided cost data for only FY 2004 and FY 2005.

Table C3 identifies legacy system costs the Services and Defense agencies submitted in their lifecycle cost estimates. It offers further evidence that submissions were not adequately supported.

Table C3. FY 2003 through FY 2005 Legacy System Costs (in millions)

DoD Component	Total FY 2003 through FY 2005 Reported Costs	Scope of Review (FY 2005)		
		FY 2005 Reported Costs	FY 2005 Supported Costs	FY 2005 Unsupported Costs
Army	\$187.81	\$ 45.33	\$0	\$ 45.33
Navy	\$118.53	\$ 40.81	\$0	\$ 40.81
Air Force	\$373.62	\$121.37	\$0	\$121.37
Marine Corps	\$ 12.85	\$ 4.35	\$0	\$ 4.35
DFAS	\$ 2.97	\$.72	\$0	\$.72
DLA	\$ 15.04	\$ 2.71	\$0	\$ 2.71
Totals	\$710.82	\$215.29	\$0	\$215.29

Appendix D. Sample of Travel Vouchers

We sampled vouchers from 18 sites that were processed during FY 2005 using methods other than DTS. At two sites (Fort Campbell and the 9th Naval Construction Regiment) our sample was based on a combination of authorizations and vouchers. The results of those two sites are included in Table D1.

Table D1. Sample Results Derived from Universe of Travel Vouchers

Site	Period of Sample ¹⁰	Sample Size	Number of Items DTS Could Process	Number of Items DTS Could Not Process	Number of Items DTS Could Not Determine
Army					
Fort Campbell		96	35	61	
Fort Dix	April 27, 2005 through September 30, 2005	19	13		6
Army National Guard Bureau Headquarters		95	0	0	95
Presidio of Monterey (Defense Language Institute Foreign Language Center)		82	40	37	5
Navy					
Aircraft Intermediate Maintenance Detachment		32	28	0	4
Naval Computer and Telecommunications Station		18	18	0	0

¹⁰The scope of the sample included vouchers processed by non-DTS methods during FY 2005 (October 1, 2004 through September 30, 2005), unless otherwise noted. If noted, the sample results were based on the time the site achieved DTS initial operating capability through the end of FY 2005.

Naval Consolidated Brig	May 20, 2005 through September 30, 2005	23	11	12	0
Naval Postgraduate School		93	90	0	3
9th Naval Construction Regiment		59	48	6	5
Air Force					
Altus Air Force Base		94	23	67	4
Cannon Air Force Base		95	14	78	3
Eglin Air Force Base	March 1, 2005 through September 30, 2005	96	30	58	8
Ellsworth Air Force Base		95	23	71	1
McChord Air Force Base		96	41	51	4
Marine Corps					
Marine Corps Air Station Beaufort		93	35	37	21
Marine Corps Recruiting Depot Parris Island	January 1, 2005 through September 30, 2005	94	63	16	15
Defense Agencies					
Defense Contract Management Agency Headquarters		95	90	1	4
DFAS Kansas City	May 4, 2005 through September 30, 2005	24	23	0	1
Total		1,299	625	495	179

Table D2 shows the results of vouchers reviewed at 8 sites where the sample was based on authorizations created during FY 2005 either manually or by using a legacy system. In cases where the results were not clear or sufficient documentation was not provided, we could not determine the result of that sample item.

Site	Period of Sample ^{II}	Sample Size	Number of Sample Items DTS		Number of Sample Items DTS	
			Could Process	Could Not Process	Could Not Determine	Could Not Determine
Army						
Fort Hood	March 1, 2005 through September 30, 2005	58	51	4	3	
Navy						
Center for Naval Engineering	July 5, 2005 through September 30, 2005	3	2	0	1	
Center for Personnel Development	May 1, 2005 through September 30, 2005	17	14	0	3	
Mine Squadron II Corpus Christi	May 1, 2005 through September 30, 2005	27	5	15	7	
Naval Criminal Investigative Services		4	2	0	2	
Training Squadron II Pensacola		81	78	2	1	
Training Squadron III Pensacola		73	72	0	1	

^{II}The scope of the sample included vouchers processed by non-DTS methods during FY 2005 (October 1, 2004 through September 30, 2005), unless otherwise noted. If noted, the sample results were based on the time the site achieved DTS initial operating capability through the end of FY 2005.

Defense Agencies				
Defense Supply Center New Cumberland	70	43	0	27
Total	333	267	21	45

Appendix E. DoD- and Service-level Defense Travel System Implementation Requirements

Date of Issuance	Issued By	Policy Title	Content of Policy
July 17, 2001	Under Secretaries of Defense (Comptroller)/Chief Financial Officer (USD [C] CFO) and Acquisition, Technology, and Logistics	“Defense Travel System”	Requires DTS to be used as the single standard system for meeting TDY requirements. In addition, the memorandum states that any savings realized by the Components will be able to be maintained by that Component to apply to other priorities.
October 18, 2004	Deputy Secretary of Defense	MID 921 “Commercial Travel Management”	Requires DoD Components not to use paper-based or automated legacy TDY systems to process travel once DTS is fielded to a user site. In addition, the policy requires DTS implementation to be completed by the end of FY 2006.
September 24, 2004	Principal Deputy Secretary of the Army (Financial Management and Comptroller)	“Defense Travel System Proliferation”	Requires each Army installation to fully proliferate DTS to all travelers within 90 to 180 days after DTS achieves initial operating capability at the site. The memorandum also states that the Army planned to monitor compliance with this memorandum by including DTS use as a metric in the Army FY 2005 Joint Reconciliation Program.

Undated	Acting Deputy Assistant Secretary of the Army (Financial Management and Comptroller)	"Deployment of the Defense Travel System"	States the Army has instructed DFAS Travel Pay Services to reject any travel claims submitted that should have been processed in DTS, but were not, including TDY trips identified as routine business trips and local travel.
April 13, 2005	Assistant Secretary of the Army (Financial Management and Comptroller)	"Defense Travel System Usage/Implementation"	States installations where DTS was deployed prior to FY 2005 must use DTS when filing travel claims if the type of travel is supported by DTS.
May 2004	Deputy Chief of Naval Operations (Fleet Readiness and Logistics)	NAVADMIN 121/04, "DBSIGN - Defense Travel System Deployment"	States DTS is the standard TDY system used by the Department and requires all Navy activities to implement DTS prior to the end of FY 2006.
November 2, 2004	Assistant Secretary of the Air Force (Financial Management and Comptroller)	"Defense Travel System Implementation"	States the (USD [C] CFO) has identified DTS as the solution for DoD travel and has mandated use of DTS DoD-wide by the end of FY 2006. The memorandum also states that the Air Force is on schedule with DTS use and that business travel, local travel, and group travel authorizations and vouchers should be processed through DTS. Further, the memorandum states that claims for those types of travel should no longer be sent to the local finance office for processing.
January 12, 2005	Director, Financial Management and Comptroller, Headquarters, Air Force Materiel Command	Policy Letter FMF-TS-02, "Defense Travel System Implementation"	States the Under Secretary of Defense (Comptroller)/Chief Financial Officer mandate for full deployment of DTS throughout the Department. The memorandum requires all Air Force Materiel Command installations and units to process business, local, and group travel authorizations and vouchers through DTS.

February 15, 2005	Deputy Commandants for Programs and Resources; Manpower and Reserve Affairs; and Installations and Logistics	MARADMIN 068/05, "Policy on Implementation of DTS"	Requires Marine Corps installations, upon achieving DTS initial operating capability, to fully field DTS within 90 days and cease using legacy travel systems to support travel that DTS is capable of supporting. In addition, the memorandum states that Headquarters, Marine Corps will establish a process for monitoring compliance and tracking DTS use compared to non-DTS use at sites where the System had been previously deployed.
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Appendix F. Non-Quantifiable Benefits Resulting from the Implementation of the Defense Travel System

The non-quantifiable benefits listed below provided the primary basis for moving forward with the DTS Program during the Milestone C Decision review that occurred on October 20, 2003.

- transforming existing travel management from a paper-based process to an automated, fully integrated end-to-end travel and financial management system that supports TDY
- providing centralized and consistent management of DoD commercial travel office services and procurement
- standardizing reengineered travel business rules throughout the Department by enabling electronic routing and processing of all financial transactions
- supporting expedient and accurate post-travel audits by using an electronically accessible management information system archive
- permitting full and secure DoD electronic commerce by using Public Key Infrastructure and the Defense Electronic Business Exchange to transmit financial commitments and obligations to appropriate systems within the Department
- increasing personnel productivity by reducing the time spent on travel administration by a minimum of 40 percent
- reducing travel processing costs
- contributing to clean audit opinions by providing reliable, certified travel entitlement computations
- reducing delinquent travel card payments by enabling split disbursements, scheduling partial payments, automating the centrally billed account reconciliation process
- improving statutory and regulatory compliance by using automated compliance checks throughout the travel process
- accelerating voucher payments by automating the process, eliminating redundant data entry to financial systems, and paying disbursements through electronic funds transfer

- enhancing travel data mining by enabling electronic access to travel information that will support the acquisition community when negotiating airline, hotel, and rental car rates
- supporting the Business Enterprise Architecture by providing an enterprise-level travel system that integrates security, transportation, and financial functions

Appendix G. Glossary of Terms

Acquisition Category IAM Program: An automated information system, with program costs in excess of \$32 million per year in FY 2000 constant dollars; total program costs in excess of \$126 million in FY 2000 constant dollars, or total lifecycle costs in excess of \$378 million in FY 2000 constant dollars, and which is subject to Assistant Secretary of Defense for Networks and Information Integration oversight.

Automated Travel Order System: An information system used by the Navy and Marine Corps for managing personnel travel obligations and costs.

Blanket Orders (Unlimited, Open, or Repeat Travel Authorization): An authorization issued to a traveler who regularly and frequently makes trips away from a permanent duty station to perform regularly assigned duties for a specific time period during the fiscal year.

Centrally Billed Account: A charge card vendor account established by a Command to pay for official DoD travel.

Commercial Travel Office Fees: Costs associated with compensating commercial travel offices for services provided in executing the travel function for DoD personnel.

Deployment: An authorization that directs the movement of a single person or unit to support combat, peacekeeping, and disaster relief missions. Deployments also include orders that require a member's participation in training exercises or contingency operations away from the member's permanent duty station.

Group Travel: A movement of two or more officials traveling from the same origin to the same destination as a group under the same travel authorization when transportation is provided by the Government.

Invitational Travel: Authorized travel of individuals either not employed by the Government, or employed intermittently in the Government as consultants or experts. Invitational travel also includes travel for individuals serving without pay or when they are acting in a capacity that is directly related to, or in connection with, official Government activities. Travel and transportation allowances authorized for these persons are the same as those ordinarily authorized for civilian employees in connection with TDY.

Local Travel: Travel conducted or expenses incurred while conducting official business within an area local to the employee's permanent duty station.

Medical: Travel to a medical facility or reimbursable expenses incurred by uniformed members to obtain required physical examinations or medical treatment.

Navy Reserve Order Writing System: An automated information system used by Naval Reservists to create orders (authorizations) for TDY, annual training, active duty training, and inactive duty training.

Permanent Duty Travel: Travel by a member and dependents or expenses incurred because of a change in assignment, detail, or transfer of an employee to a different permanent duty station under an approved authorization that does not specify the duty as temporary, provide for further assignment to a new permanent duty station, or direct return to the old permanent duty station.

Prisoner Escort: Movement of a prisoner, including the official escorting a prisoner, who is ordered from one site to another for disciplinary action.

Return on Investment: Present value of quantifiable cost savings divided by the present value of the DTS investment.

Reserve or Guard Travel: Authorized travel conducted by a member of Reserves or National Guard, including routine TDY, special mission travel, being called to active duty, and training while on inactive duty.

Routine (Business) TDY: Official travel by a member from an assigned duty station to perform duties for a limited period of time at one or more places away from the member's permanent duty station. General types of routine TDY include conducting a site visit; attending a conference, meeting, or training; presenting a speech; and performing other assigned duties away from the member's duty station.

Special Interest Initiative: A program that did not meet established requirements of an Acquisition Category IAM program, but was nonetheless of special interest to Congress, the DoD Chief Information Officer, or the Department because of the program's technological complexity, its status as a joint program, or its criticality to achieving a specific capability.

System Change Request: A request for a change in the system or software that may enhance functionality, be a design change, or improve operation processes, or any change that is not judged to correct a defect but will require some analysis and development work before it can be implemented.

System Operation Costs: Costs to operate and maintain DTS.

Voucher Computation Costs: Costs associated with budget and finance personnel computing a TDY voucher claim.

Voucher Pay Costs: Costs associated with budget and finance personnel settling (disbursing a payment) a TDY voucher claim.

Voucher Process and Compute Costs: Service and Defense agency costs, based on the number of vouchers processed during a given fiscal year, associated with the TDY voucher process function. This cost includes Service and Defense agency personnel costs for time spent performing this function and the DFAS cumulative fees for computing and disbursing, or only disbursing a voucher.

Appendix H. History of the Defense Travel System

In January 1995, the DoD Task Force to Reengineer Travel issued the “Report of the Department of Defense Task Force to Reengineer Travel,” which addressed three principal causes for the inefficient DoD travel system: travel policies and programs were focused on compliance with rigid rules rather than mission performance, travel practices did not keep pace with travel management improvements implemented by industry, and the travel system was not integrated.

On December 13, 1995, the Under Secretary of Defense for Acquisition Technology, and Logistics and the Under Secretary of Defense (Comptroller)/Chief Financial Officer issued a memorandum, “Reengineering Travel Initiative,” establishing the PMO. The memorandum directed the DTS PMO to report through the Under Secretary of Defense (Comptroller)/Chief Financial Officer to the Under Secretary of Defense for Acquisition, Technology, and Logistics.

DTS Program Management. The DTS PMO managed the Program as a special interest initiative from the Program’s inception in December 1995 until May 28, 2002. During this time, the Defense Finance and Accounting Service was the functional proponent for the System, with oversight provided jointly by the Under Secretaries of Defense (Comptroller)/Chief Financial Officer and Acquisition, Technology, and Logistics. On May 28, 2002, the Assistant Secretary of Defense for Networks and Information Integration issued a memorandum, “Designation of Defense Travel System as a Major Automated Information Systems Acquisition Category IAM Program” officially designating DTS as an Acquisition Category IAM program. On October 20, 2003, the Assistant Secretary of Defense for Networks and Information Integration approved the Program to proceed into the Production and Deployment phase of the acquisition lifecycle during the Milestone C Decision review. According to the Program Director, DTS PMO, shortly after this review, key proponents and DoD management officials responsible for oversight of the DTS Program retired or left the Department, thus leaving a void in Program management.

Recent Defense Travel Management Initiatives. In 2004, the Deputy Secretary of Defense issued MID 921 directing the Under Secretary of Defense for Personnel and Readiness to become the functional proponent for travel management, and to consolidate, streamline, and centrally manage commercial travel policy. The Under Secretary established the DTMO on February 5, 2006, with primary responsibility for managing the Department’s commercial travel program. Subsequent to the issuance of MID 921, the Acting Deputy Secretary of Defense issued a memorandum on October 7, 2005, “Establishment of the Defense Business Transformation Agency (BTA),” to advance Defense-wide business transformation in the areas of business process reengineering, core business mission activities and investment review board matters. DTS was included in the list of systems transferred to the Business Transformation Agency.

Appendix I. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition, Technology, and Logistics
Director, Acquisition Resources and Analysis
Under Secretary of Defense (Comptroller)/Chief Financial Officer
 Deputy Chief Financial Officer
 Deputy Comptroller (Program/Budget)
Under Secretary of Defense for Personnel and Readiness
Assistant Secretary of Defense for Networks and Information Integration
Director, Program Analysis and Evaluation

Department of the Army

Assistant Secretary of the Army (Financial Management and Comptroller)
Auditor General, Department of the Army

Department of the Navy

Assistant Secretary of the Navy (Financial Management and Comptroller)
Naval Inspector General
Auditor General, Department of the Navy
Deputy Naval Inspector General for Marine Corps Matters, Inspector General of the
 Marine Corps

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
Auditor General, Department of the Air Force

Other Defense Organizations

Director, Defense Finance and Accounting Service
Inspector General, Defense Information Systems Agency
Director, Defense Logistics Agency
Director, Defense Travel Management Office
Director, Business Transformation Agency

Non-Defense Federal Organization

Office of Management and Budget
Government Accountability Office

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Homeland Security and Governmental Affairs
Senate Permanent Subcommittee on Investigations, Committee on Homeland Security and Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Reform
House Subcommittee on Government Efficiency and Financial Management, Committee on Government Reform
House Subcommittee on National Security, Emerging Threats, and International Relations, Committee on Government Reform
House Subcommittee on Technology, Information Policy, Intergovernmental Relations, and the Census, Committee on Government Reform

Program Analysis and Evaluation Comments

 PROGRAM ANALYSIS AND EVALUATION	OFFICE OF THE SECRETARY OF DEFENSE 1800 DEFENSE PENTAGON WASHINGTON, D.C. 20301-1800	 NOV 3 2006
<p>MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL</p> <p>SUBJECT: Draft Report on the Management and Use of the Defense Travel System</p> <p>Thank you for the opportunity to review the draft report on the Defense Travel System (DTS). I do not concur with the report for the reasons described below.</p> <p>Page 4 of the report states: "The Director, Program Analysis and Evaluation, Office of the Secretary of Defense, issued the Unofficial Guide for Economic Analysis of Defense Information Technology Investments. . ." This statement is false. The Unofficial Guide has not formally been released and does not constitute official guidance for the Department.</p> <p>Instead, formal guidelines for the Department's economic analyses are provided by DoD Instruction (DoDI) 7041.3, "Economic Analysis for Decision Making," DoD Directive (DoDD) 5000.4, "Cost Analysis Improvement Group (CAIG)," and DoDD 5000.4-M, "Cost Analysis Requirements and Procedures." The report acknowledges that DoDI 7041.3 requires substantiation for data used in cost estimates.</p> <p>I also disagree with the report's conclusions and recommendation regarding the Unofficial Guide. The report implies that the DTS PMO's use of the guide is the root cause of unsubstantiated DTS FY 2003-2005 actual costs and that revisions to the document would result in auditable cost estimates. DoDI 7041.3 already requires auditable cost estimates based on validated data, so it is unclear how issuing additional guidance would resolve the problem with the FY 2003-2005 cost figures.</p> <p style="text-align: right;">  Brad Berkson Director </p> <p style="text-align: center;">(Recycling symbol)</p>		

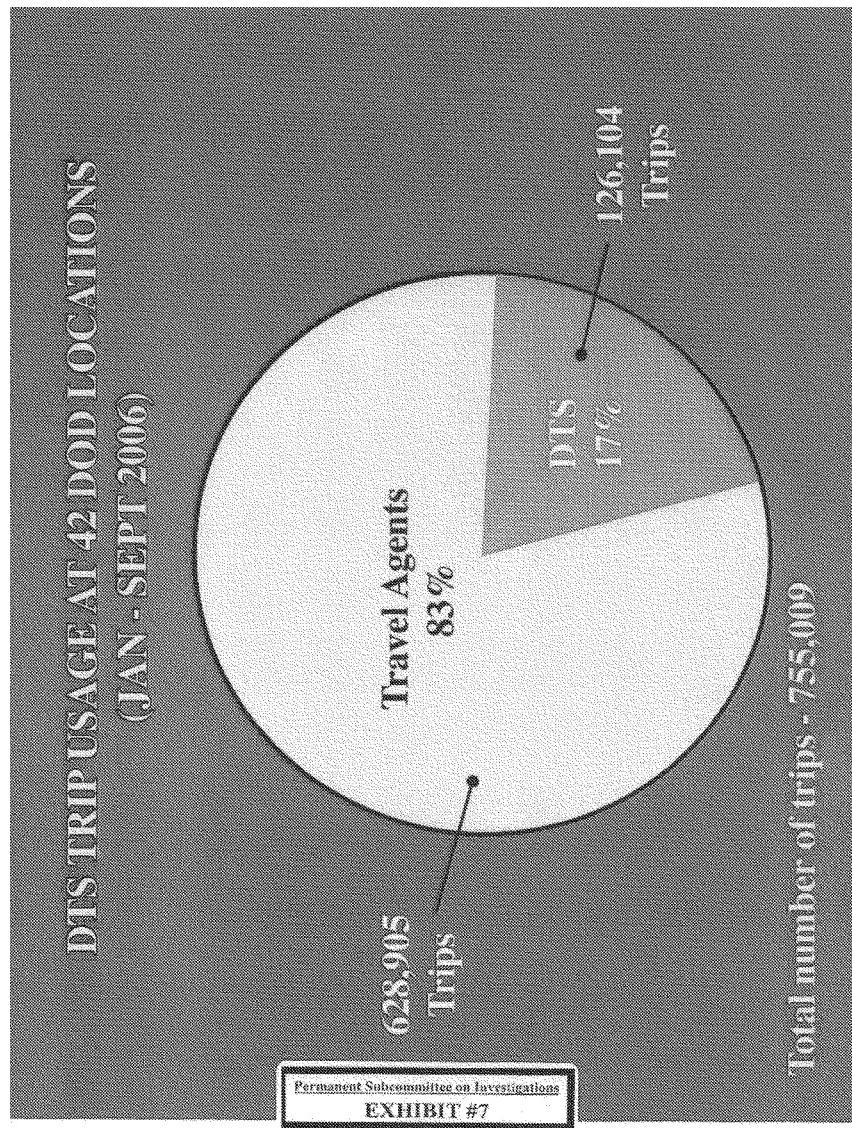
Defense Finance and Accounting Service Comments

 <p>DEFENSE FINANCE AND ACCOUNTING SERVICE 8899 EAST 56TH STREET INDIANAPOLIS, INDIANA 46249</p> <p>DFAS-ADL/IN</p>	<p>NOV 01 2006</p> <p>MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE</p> <p>SUBJECT: "Management and Use of the Defense Travel System". (Project # D2005-D000FB-0311.000)</p> <p>Indianapolis Operations is providing management comments as follows:</p> <p>Recommendation A3.: We recommend that the Director, Defense Finance and Accounting Service implement a process to ensure voucher payments recorded in the disbursing systems can be reconciled to voucher payment data in the e-Biz accounting system to facilitate the Department's ability to accurately report travel voucher payments data.</p> <p>Management Comments: Stakeholder: Phil Tincher, 317-510-7124. Partially Concur. Travel Operations will assist e-Biz/Budget areas to address discrepancies between travel claims disbursed and data recorded in e-Biz. Travel Pay has a secondary role in this effort. E-Biz/Budget areas are the primary stakeholders to address this issue.</p> <p>Estimated Completion Date: June 30, 2007</p> <p>My point of contact for this recommendation is Phil Tincher, 317-510-7124.</p> <p><i>Steve R. Bonta</i> Steve R. Bonta Director, Indianapolis Operations</p> <p><small>www.dfas.mil Your Financial Partner • Work</small></p>
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Team Members

The Defense Financial Auditing Service, Department of Defense Office of Inspector General prepared this report. Personnel of the Office of Inspector General of the Department of Defense who contributed to the report are listed below.

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Nicholas Drotar, Jr.
Steven L. Kohne
Gregory A. Crawford
Lynette A. Alicea
Alberto J. Calimano-Colon
Catherine Bird



	Traditional	DTS	Percent DTS
1 Ft McPherson	24882	5760	18.8%
2 Defense Threat Reduction Agency Defense Logistics Agency	6329	348	5.2%
3 Aberdeen Proving Ground	14676	14097	49.0%
4 US Army Reserve Command	20470	2000	8.9%
5 Pentagon	40599	10023	19.8%
6 Ft Belvoir	12647	12255	49.2%
7 Schofield Barracks	13280	111	0.8%
8 Ft Monroe	771	2332	75.2%
9 West Point Military Academy	10898	990	8.3%
10 Ft Knox	18053	11387	38.7%
11 Ft Shafter	25983	442	1.7%
12 Ft Leonard Wood	20221	894	4.2%
13 Army National Guard	5065	28	0.5%
14 Presidio of Monterey / California USPFO	12930	985	7.1%
15 Ft Riley	8346	753	8.3%
16 Ft Sill	21205	2118	9.1%
17 Ft Bliss	19865	1906	8.8%
18 White Sands Missile Range	2486	968	28.0%
19 Ft Huachuca	17804	3872	17.9%
20 Ft Rucker	2816	2491	46.9%
21 DOD IG	1460	1968	57.4%
22 Ft Jackson	26119	863	3.2%
23 Ft Lee	18068	2569	12.4%
24 Walter Reed	21854	1073	4.7%
25 Ft Stewart	6501	1574	19.5%

180

26 Ft Sam Houston	18780	9215	32.9%
27 Ft Lewis	41239	4902	10.6%
28 Ft Leavenworth	22027	14	0.1%
29 Ft Carson	20876	2390	10.3%
30 Ft Polk	12437	1013	7.5%
31 Ft Monmouth	11662	9808	45.7%
32 Phoenix USPFO / Dugway PG	6598	8	0.1%
33 Ft Campbell	14065	1035	6.9%
34 Adelphi Lab	1201	96	7.4%
35 Ft Meade	15063	1678	10.0%
36 Ft Irwin	3458	69	2.0%
37 Ft Bragg	30246	5501	15.4%
38 Ft Hood	25952	1180	4.3%
39 Ft Hamilton	5764	562	8.9%
40 Ft Gordon	8241	1497	15.4%
41 Ft Eustis	9901	1819	15.5%
42 US Army Soldiers System Cmd	8067	3510	30.3%
Total by Type	628905	126104	
Percent by Type	83%	17%	
TOTAL TRIPS	755009		

DTS USAGE AT SELECTED DOD LOCATIONS
(JAN-SEPT 2006)

DOD Locations	Total Trips	Percent Using DTS
Pentagon	50,622	19.8
Ft. Shafter	26,425	1.7
Ft. Leonard Wood	21,415	4.1
Ft. Jackson	26,982	3.2
Walter Reed	22,927	4.7
Ft. Leavenworth	22,041	0.1
Ft. Hood	27,432	4.5
Schofield Barracks	13,391	0.8

Permanent Subcommittee on Investigations
EXHIBIT #8

RESPONSES TO SUPPLEMENTAL QUESTION FOR THE RECORD
SUBMITTED BY
SENATOR TOM COBURN
to
THOMAS F. GIMBLE
Acting Inspector General
U.S. Department of Defense

PERMANENT SUBCOMMITTEE ON INVESTIGATIONS
HEARING ON
***THE DEFENSE TRAVEL SYSTEM:
BOON OR BOONDOGGLE? (PART 2)***
November 16, 2006

Question 1. Mr. Gimble, your November 13, 2006, report included an audit of the legacy travel systems that are still being used within DoD. The audit found that DoD spent \$215.29 million in FY 2005 on legacy systems, although that number was not fully supported due to the failure of the Department to retain travel cost data. If DoD were to switch to a fee-for-service travel reservations contract with a commercial vendor (Orbitz, Travelocity, Priceline, etc.), a traditional travel agency, or GSA's e-travel system, would it be possible to eliminate the hundreds of millions of dollars that is currently being spent on legacy systems?

Answer: The DTS primarily consists of two modules; a module for processing reservations, and a module for processing travel authorizations and computing voucher claims. We did not evaluate the feasibility of DoD switching the module for processing reservations to a fee-for-service travel reservation contract with a commercial vendor, a traditional travel agency, or GSA's e-travel system. Our audit work did show, however, that the 27 sites we visited used 10 legacy systems that supported automated travel authorizations and voucher computations, but not travel reservations. Consequently, the \$215 million legacy system costs directly pertained to the legacy systems used for processing authorizations and vouchers but not those related to travel reservations. Furthermore, discussions with officials from the DTS Program Management office and the Under Secretary of Defense of Personnel and Readiness revealed that DTS was designed to replace all legacy systems that support travel authorizations and voucher computations. Based on our limited review, the DTS module used to process travel authorizations and compute vouchers functions properly. We believe that the Department could either substantially reduce, or eliminate the \$215 million legacy system cost even if the 943 Study concludes that it is feasible to keep the DTS module that is currently in use to process authorizations and vouchers.

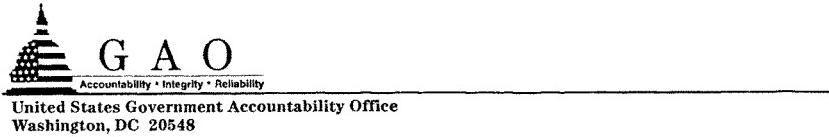
Permanent Subcommittee on Investigations

EXHIBIT #9

Question 2. Your written testimony says “The Department’s failure to develop a formal reporting process to capture and retain travel cost data, including data necessary for measuring benefits, remains a major challenge to determining whether this travel system is the most cost-effective solution to the Department’s travel need.” The failure to keep travel cost data opens up DoD to virtually any kind of travel abuse and fraud. What steps need to be taken to get DoD to retain this data so we can assure that millions of dollars aren’t being wasted on improper DoD travel?

Answer: Our audit procedures were designed to determine whether DoD could provide documentation that substantiated all DTS, legacy system, and travel related data necessary to validate the cost-effectiveness of the DTS program. Our audit showed that DoD could not provide the travel cost data necessary to validate the cost-effectiveness of the DTS Program. As a result, we recommended that DoD establish a formal reporting process in coordination with the DoD Comptroller that requires each Service and Defense agency Comptroller to maintain detailed records of all DTS and legacy system costs.

The purpose of this requested audit was not to determine whether DoD maintained travel cost data pertaining to individual travelers or departments nor to determine whether money was being wasted on improper DoD travel. However even though we did not look at this issue as it relates to individual travelers or departmental entities, we do know from other work and personal experience that DoD does maintain travel cost data pertaining to individual travelers and departmental entities.



December 19, 2006

The Honorable Norm Coleman
Chairman, Permanent Subcommittee on Investigations
Committee on Homeland Security and Governmental Affairs
United States Senate

*Subject: Response to a Posthearing Question Related to GAO's November 16, 2006
Testimony on the Defense Travel System*

Dear Mr. Chairman:

On November 16, 2006, I testified before your Subcommittee on the results of our audit on the Defense Travel System (DTS).¹ This letter responds to a question from Senator Coburn that you asked us to answer for the record. The question and our response follow.

Q. Mr. Williams, GAO's September 2006 study looked at DOD's Program Management Office-DTS (PMO-DTS) projected DTS annual savings estimates. GAO found that PMO-DTS' \$56.4 million of anticipated personnel savings are unrealistic. PMO-DTS projected that the Army and Navy would have \$24.2 million of personnel savings as a result of using DTS. However, GAO found that the Army and Navy have not had and are not anticipating any savings through decreased personnel from the implementation of DTS. DOD has refuted GAO's findings by claiming that the savings created by DTS are not necessarily achieved through decreased personnel, but through increasing personnel productivity and reducing inefficiencies. Were PMO-DTS' projected personnel savings based solely on personnel reduction, and if not, is it possible to quantitatively measure cost savings through increased personnel productivity and reducing inefficiencies?

As discussed in our September 2006 report² and reiterated in our November 2006 testimony³ before your Subcommittee, the \$24.2 million of personnel savings estimated by the Department of Defense (DOD) relates to the Air Force and the Navy.

¹ GAO, *Defense Travel System: Estimated Savings Are Questionable and Improvements Are Needed to Ensure Functionality and Increase Utilization*, GAO-07-208T (Washington, D.C.: Nov. 16, 2006).

² GAO, *Defense Travel System: Reported Savings Questionable and Implementation Challenges Remain*, GAO-06-980 (Washington, D.C.: Sept. 26, 2006).

³ GAO-07-208T.

GAO-07-287R DTS Post Hearing Question

Permanent Subcommittee on Investigations
EXHIBIT #10

More specifically, the September 2003 economic analysis noted that personnel savings of \$12.9 million and \$11.3 million would be realized by the Navy and Air Force, respectively. The assumption behind the personnel savings computation was that there would be less manual intervention in the processing of travel vouchers for payment, and therefore fewer staff would be needed. However, based on our discussions with Air Force and Navy DTS program officials, it is questionable as to how the estimated savings will be achieved. Air Force and Navy DTS program officials stated that they did not anticipate a reduction in the number of personnel with the full implementation of DTS, but rather the shifting of staff to other functions. Furthermore, according to DOD officials responsible for reviewing economic analyses, while shifting personnel to other functions is considered a benefit, it should be considered an intangible benefit rather than tangible dollar savings since the shifting of personnel does not result in a reduction of DOD expenditures. Also, as part of the Navy's overall evaluation of the economic analysis, program officials stated that "the Navy has not identified, and conceivably will not recommend, any personnel billets for reduction." Finally, the Naval Cost Analysis Division (NCAD) October 2003 report on the economic analysis noted that it could not validate approximately 40 percent of the Navy's total costs, including personnel costs, in the DTS life-cycle cost estimates because credible supporting documentation was lacking. The report also noted that the PMO-DTS used unsound methodologies in preparing the DTS economic analysis.

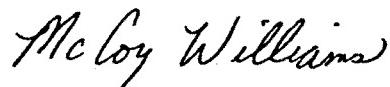
The extent of personnel savings for the Army and defense agencies, which DOD estimated to be \$16 million and \$6.3 million respectively, is also unclear. The Army and many defense agencies use the Defense Finance and Accounting Service (DFAS) to process their travel vouchers, so the personnel savings for the Army and the defense agencies were primarily related to reductions in DFAS's costs. In discussions with DFAS officials, they were unable to estimate the actual personnel savings that would result since they did not know (1) the number of personnel, like those at the Air Force and Navy, that would simply be transferred to other DFAS functions or (2) the number of personnel that could be used to avoid additional hiring. For example, DFAS expects that some of the individuals assigned to support the travel function could be moved to support its ePayroll program. Since these positions would need to be filled regardless of whether the travel function is reduced, transferring personnel from travel to ePayroll would reduce DOD's overall costs since DFAS would not have to hire additional individuals.

As pointed out in your question and as discussed in our report and testimony, DOD strongly objected to our finding that the personnel savings are unrealistic. In its written comments, the department stated that it is facing an enormous challenge and continues to identify efficiencies and eliminate redundancies to help leverage available funds. We fully recognize the challenge the department faces in attempting to improve the efficiency and effectiveness of its business operations. The fact remains, however, that the results of an economic analysis are intended to help management decide if future investments in a given endeavor are worthwhile. In order to provide management the most realistic information possible to support decision-making in this area, it is imperative that an economic analysis be supported

by valid assumptions. However, we found that the underlying assumptions were not valid, particularly in regard to the estimated amounts for the Navy and Air Force. Moreover, the department did not provide any new data or related documentation in its comments that were counter to our finding. As a result of these factors, we continue to believe that the estimated annual personnel savings of \$54.1 million are unrealistic.

If you or your staff have questions about our response to this question, please contact me at (202) 512-9095, or williamsml@gao.gov.

Sincerely yours,



McCoy Williams
Director, Financial Management and Assurance

(195107)

RESPONSES TO SUPPLEMENTAL QUESTION FOR THE RECORD
SUBMITTED BY
SENATOR NORM COLEMAN
to
DAVID S. C. CHU, Ph.D.
Under Secretary for Personnel and Readiness
U.S. Department of Defense

PERMANENT SUBCOMMITTEE ON INVESTIGATIONS
HEARING ON
***THE DEFENSE TRAVEL SYSTEM:
BOON OR BOONDOGGLE? (PART 2)***
November 16, 2006

1. DOD's Office of Program Analysis and Evaluation in its study of DTS recommended an analysis of alternative travel solutions and a pilot program to assess whether commercial travel systems can be used as partial or end-to-end solutions.
 - a. Has DOD implemented the PA&E recommendation to perform an analysis of alternative travel solutions? If yes, please provide a copy of the analysis for the record. If no, please explain fully why this recommendation was not implemented and whether DOD plans to implement it.
 - b. Has DOD implemented the PA&E recommendation to conduct a pilot program to assess whether commercial travel systems can be used as partial or end-to-end travel solutions? If yes, please provide a copy of the pilot program results for the record. If no, please explain fully why this recommendation was not implemented and whether DOD plans to implement it.

RESPONSE: DoD implemented neither recommendation made in the PA&E study. This study was issued as a draft report, and its recommendations have never been officially presented. DoD has already started an independent study of the DTS as directed by Section 943 of the 2007 National Defense Authorization Act. We have contracted with an independent entity to address the feasibility of:

- separating the financial infrastructure of the DTS from the travel reservation process;
- converting the travel reservation process to a fee-for-services system, or authorizing the use of multiple travel reservation processes, both of which would use the financial infrastructure of the Defense Travel System; and
- making use of the financial infrastructure of the Defense Travel System mandatory for all Department of Defense travel transactions.

We plan to deliver the findings to Congress in mid-April 2007, followed by delivery of the implementation report in June 2007.

Permanent Subcommittee on Investigations
EXHIBIT #11

2. DTS purportedly saves taxpayer money by having DOD personnel select flights, hotels and rental cars on DTS. Has any assessment been made of the costs to have DOD personnel select their flights, hotels and rental cars on DTS, as opposed to the costs of having travel agents perform this function? If yes, please provide a copy of any assessment for the record

RESPONSE: Whether using DTS or a legacy travel system, DoD personnel select flights, hotels or Government lodging and rental cars based on the General Services Administration City Pair Policy and Government travel regulations. In either system, the commercial travel office purchases the airline ticket and may reserve the hotel and/or rental car. While there is no written assessment at this time, DTS savings are derived from reduced transaction fees that result from use of the automated system vice a manual process.

3. Dr. Chu's testimony stated that DOD plans to replace DTS' dated computer code with modern programming language which will position DTS to interoperate more fully with evolving external travel systems. DOD currently has access to commercial travel systems through professional travel agents. Given that these commercial travel systems cost DOD nothing to develop, maintain or keep technologically current, why does DOD need to develop and maintain its own travel system?

RESPONSE: There is no commercial travel system currently available that meets the unique DoD mission, security and financial system requirements or that complies with Federal and DoD travel rules and regulations.

The travel and reservations component of DTS was developed to fully comply with statutory and regulatory travel guidelines, policies, and restrictions of the Federal government and DoD. For example, the reservation system must meet the Joint Travel Regulations, Appendix O, requirement to maintain audit trails for travelers spending government or public funds while providing for the non-repudiation of these funds; must comply with the Fly America Act; and must adhere to General Services Administration (GSA) guidance directing the use of GSA city pair flights when available. Commercial travel systems do not currently include the business logic needed to comply with these requirements.

4. How does DOD determine the extent of user satisfaction survey among the personnel who use DTS?

RESPONSE: The Department is fully committed to understanding and meeting the needs of the DoD traveler. Obtaining DTS users' levels of satisfaction through web-based tools, customer dialog, and focus groups allows the Department to plan short and long-term change strategies. Every customer has the opportunity to submit comments, suggestions, or questions through the DTS Travel Center Website. Additionally, we are currently developing a comprehensive customer survey designed to measure the full spectrum of user satisfaction with the system. This survey will also enable the Department to provide feedback to customer concerns and develop new functional requirements to continually improve our travel processes.

5. Please fully describe the procedures that are used to bring DTS-related problems to the attention of DTS managers in the Program Management Office.

RESPONSE: As of October 1, 2006, operational support of DTS, including oversight of the Tiered Help-Desk support system, is being provided by the Defense Travel Management Office (DTMO). DTMO serves as the Department of Defense "Face to the Customer" in addressing operational issues, and operates a customer service branch staffed by subject matter experts who track and resolve issues. This includes concerns reported directly to the branch as well as those reported to the Tier III Help Desk. Customer service personnel prioritize system problem defects that affect DTS users and work closely with the Program Management Office to address user issues and improve the overall travel experience.

RESPONSES TO SUPPLEMENTAL QUESTION FOR THE RECORD
SUBMITTED BY
SENATOR TOM COBURN
to
DAVID S. C. CHU, Ph.D.
Under Secretary for Personnel and Readiness
U.S. Department of Defense

PERMANENT SUBCOMMITTEE ON INVESTIGATIONS
HEARING ON
***THE DEFENSE TRAVEL SYSTEM:
BOON OR BOONDOGGLE? (PART 2)***
November 16, 2006

1. Dr. Chu, you testified that the Defense Travel Management Office (DTMO) is collecting travel cost data that will be sufficient for determining if DTS is a cost effective solution to the department's travel needs. DoD IG, PA&E, and GAO have all cited DoD's inability to capture and retain travel cost data as the reason why it's not possible to determine the cost effectiveness of DTS. What travel cost data is DTMO using that the IG, PA&E, and GAO could not gather when trying to determine DTS' cost effectiveness?

RESPONSE: Transaction cost data, to include best available service and agency data, is the basis for determining the cost effectiveness of DTS. The DTMO will compare fiscal year 2007 legacy travel costs to DTS travel costs for authorization and voucher processing. Savings estimates are derived from these comparisons, and are revised as better data becomes available.

2. In your written testimony you mentioned that you can not refute for the many short falls of DTS' travel reservation function. Before the sub-committee you mentioned that many of the problems with the DTS' travel reservation software have been or are being fixed. Every study of DTS' has shown that flight reservation software is ineffective, out-dated, and DoD personnel consistently choose not to use it. The DTS project is four years behind schedule and has cost 87% more than its original price. In your opinion, how much more time will it take for DTS to be fully implemented within the department and how much more money will it take for the travel reservation function to become an effective automated booking program that is widely accepted by DoD employees?

RESPONSE: DTS was deployed to all major DoD sites prior to September 30, 2006, and is currently available to support over 91% of DoD business travel. Travel Reservation module function improvements, known as "Reservation Refresh," are in final testing with the DoD Director of Operational Test and Evaluation. We expect to implement these improvements during the second quarter of fiscal year 2007.

3. You mentioned at the hearing that if DoD were to stop using DTS for travel reservations then DoD will be stuck without a viable option for travel purchases. Can you explain why a fee-for-service contract with a commercial vendor (Orbitz, Travelocity, Priceline, etc.), a traditional travel service, or GSA's e-travel system would not be viable alternatives to the expensive and problematic DTS travel reservation software?

RESPONSE: There is no commercial travel system currently available that meets the unique DoD mission, security and financial system requirements, or that fully complies with Federal and DoD statutory and regulatory travel guidelines, policies and restrictions. For example, the reservation system must meet the Joint Travel Regulations, Appendix O, requirement to maintain audit trails for travelers spending government or public funds while providing for the non-repudiation of these funds; must comply with the Fly America Act; and must adhere to GSA guidance directing the use of GSA city pair flights when available.

The ongoing independent study of DTS as directed by Section 943 of the 2007 National Defense Authorization Act will also address this issue.

4. At the hearing I raised a question about the ownership rights of DTS. Your response was that DoD owns the hardware to DTS but Northrop Grumman owns the source codes. If DoD were to stop using DTS' faulty reservation software by switching to fee-for-service reservation system, but continued to use DTS' internal financial infrastructure for vouchering and accounting purposes, would DoD still have to be in annual contract because DoD doesn't own the source codes? If so, would the contract be substantially less than what we are currently paying for DTS?

RESPONSE: DoD owns the appropriate limited data rights to all source codes for DTS.

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